

# PRESOTEA



## Franchise Disclosure Document

### Master Franchise

**PRESOTEA (USA) CO., LTD.**  
**A Delaware Corporation**  
**Business Address: No.3 Fuxing St., Tucheng Dist.,**  
**New Taipei City 236, Taiwan (R.O.C.),**  
**Mailing Address: 1209 Orange Street**  
**Wilmington, Delaware 19801**  
**PH 886-2-2269-0568 (Taiwan)**  
**www.presotea.com**  
**Email: usa@presotea.com**

The franchise offered is a Master Franchise to franchise “made to order” fresh brewed tea shops called Presotea (hereafter “Shop” or “Store”), operating under the Marks and using the System as described in this document, and the Operations Manual. The Master Franchise Agreement requires the franchising and opening of a minimum of 10 subfranchised Presotea Shops in the protected Territory, within 6 years of the signing of the Master Franchise Agreement.

The total investment necessary to begin operation of the Presotea Master Franchise Business ranges from \$197,500 to \$242,000. This includes \$20,000 for required initial training.

For each Presotea Franchise you sell, you are required to pay us or our affiliate \$55,000 for required equipment, \$18,000 for required branding, and \$50,000 for required opening inventory of supplies and food which must be paid to us or our affiliate, as respectively detailed below. You may re-sell these services/products to your franchisees at prices you determine.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you can sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the below individual via email as indicated:

Min, Yao-Tsung, Presotea (USA) Co., Ltd., 1209 Orange Street, Wilmington, DE, 19801, PH 886-2-2269-0568 (Taiwan); email to: jackmin@presotea.com

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer's Guide to Buying a Franchise,” which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: February 15, 2023

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former Master franchisees. You can find their names and contact information in Item 20 or Attachment C.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Attachment A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only PRESOTEA business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a PRESOTEA franchisee?</b>	Item 20 or Attachment C lists current and former Master franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Attachment E.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** (N/A) The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation in the state of Wisconsin. Out of state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Wisconsin than in your home state.
2. **Minimum Performance Levels.** You must meet certain minimum financial performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.
3. **Financial Condition.** The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the Franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

## TABLE OF CONTENTS

	<u>Page</u>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....	8
ITEM 2 BUSINESS EXPERIENCE .....	8
ITEM 3 LITIGATION .....	9
ITEM 4 BANKRUPTCY .....	9
ITEM 5 INITIAL FEES .....	9
ITEM 6 OTHER FEES .....	10
ITEM 7 ESTIMATED INITIAL INVESTMENT .....	12
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	14
ITEM 9 MASTER FRANCHISEE'S OBLIGATIONS .....	15
ITEM 10 FINANCING .....	16
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING .....	16
ITEM 12 TERRITORY .....	22
ITEM 13 TRADEMARKS .....	24
ITEM 14 PATENTS, COPYRIGHTS AND OTHER PROPRIETARY INFORMATION .....	25
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS .....	26
ITEM 16 RESTRICTIONS ON WHAT THE MASTER FRANCHISEE MAY SELL .....	26
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	28
ITEM 18 PUBLIC FIGURES .....	31
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....	31
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION .....	32
ITEM 21 FINANCIAL STATEMENTS .....	34
ITEM 22 CONTRACTS .....	34
ITEM 23 RECEIPTS .....	34

### FDD ATTACHMENTS

ATTACHMENT A	Financial Statements
ATTACHMENT B	Master Franchise Agreement, with Exhibits
ATTACHMENT C	List of Current and Former Master Franchisees
ATTACHMENT D	Table of Contents for Manual
ATTACHMENT E	State Administrators and Agents for Service of Process
ATTACHMENT F	State Specific Addenda
ATTACHMENT G	General Release
ATTACHMENT H	Receipts

## **ITEM 1.**

### **THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify this Franchise Disclosure Document, "We" means PRESOTEA (USA) CO., LTD. the franchisor, or "our" or "us" when appropriate. "You" means the person who buys the Master franchise, or "your" when appropriate. If you are a legal entity, "you" includes all owners of any equity interest in the entity.

We are a Delaware corporation, incorporated on August 24, 2018 as the United States Franchisor entity for the Presotea brand and concept. Our business address is in Taiwan located at No.3 Fuxing St., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.), and we have a U.S. mailing address at 1209 Orange Street, Wilmington, Delaware 19801.

Our affiliate is Presotea Co., Ltd, also located at our Taiwan address, (referred to as "Presotea Taiwan"), provides equipment, inventory, services, branded items, some supplies and training to our Master Franchisees. Presotea does not offer franchises in any other line of business.

We do not have any predecessors.

We conduct business under the name "Presotea" and no other name.

We have two Master Franchisees:

Kat & Ell Corp, for the state of California since 2019;  
9211 Bolsa Ave., Ste. 105  
Westminster, California 92683  
PH 877-773-7639

Kee & Associates International, LLC, for various other states beginning 2021  
7171 Warner Ave., Suite B-145  
Huntington Beach, CA 92647  
PH 877-773-7639

We do not have any ownership interest in the two Master Franchisees

Our agents for service of process are disclosed in Exhibit E.

#### **The Concept**

This is an offering for a Subfranchising relationship (Master Franchise), for which you will sign a Master Franchise Agreement with us in the form attached as Attachment B. You are referred to as "the Master Franchisee", and are only authorized to offer and sell (subfranchise) tea shops under the name "Presotea" (referred to as "Presotea Shops") in a designated protected area. Presotea Shops offer fresh brewed made to order tea beverages using an espresso type machine with seasonal fresh fruits and ingredients. As the Master Franchisee, you will provide all training, equipment, inventory, supplies and branded items to your franchisees. This FDD is not an offering for you to develop your own (company-owned) Presotea shops, only to subfranchise. You must open at least a minimum of 10 Presotea shops in the Franchised Area by the end of the 6<sup>th</sup> year commencing the date of this Agreement. You are permitted to sell Area Representation Franchises, whereby you offer the right to third parties (the "Area Representative") to recruit prospective franchisees for you, and/or to provide specified support services



to the franchisees, for any negotiated split of fees between you and your Area Representative. You must have your own Area Representative FDD prepared at your cost, and if necessary registered in any state requiring FDD registration. An Area Representative agreement would be between you and your Area Representative. We would not be a party to an Area Representative Agreement.

#### Laws Associated with this Offering

There are no industry specific law related to a Master franchise business apart from applicable franchise disclosure and registration laws. Prior to selling any Presotea franchises, or any Area Representative franchises, you are required to comply with the Franchise Disclosure Document and Registration laws of Wisconsin and related federal laws. We will not provide you with a form Franchise Disclosure Document (FDD) to use. You must create your own FDD and franchise agreement at your expense. We do **not** provide you with legal assistance in this regard. You are advised to research and obtain your own legal advice for complying with these laws.

#### Competition

The market for this Master Franchise are individuals or companies looking to be a subfranchisor and to perform all the subfranchisor obligations in exchange for certain split of royalties and fees. The tea and coffee beverage franchise industry is highly competitive. You will compete with numerous franchisors selling Master Franchises for tea and coffee beverage franchises. The market for Presotea Shops, which you will offer (subfranchise), are individuals looking to purchase, own and operate one or more tea shops. This market is also highly competitive from other franchised and independent tea and beverage shops.

#### Our Experience

We have offered Presotea Master franchises in the United States since 2019, and in other countries since 2006. We briefly offered Area Development franchises (the right and requirement to develop a certain number of Presotea shops, with no subfranchising rights) from 2019 to 2021, in the states of California, New York and Illinois, under a separate FDD. We no longer offer Area Development Franchises.

We have never conducted a business of the type to be operated by the Master Franchisee. We do not offer or own individual Presotea Shops in the United States. Our owners have owned and franchised Presotea Shops outside the United States since 2006, with more than 400 franchise Presotea stores located in 8 countries, including Taiwan, Indonesia, Australia, Canada, Malaysia, Singapore, Japan and United Kingdom.

Except as provided above, we have not conducted business in any other line of business, and we have not offered franchises in any other line of business.

## **ITEM 2. BUSINESS EXPERIENCE**

#### President, Chief Financial Officer, Secretary; Director: Mei Yen Chen:

Ms. Chen is our President, Chief Financial Officer Secretary and Director, as of our incorporation in August 2018. Ms. Chen is also the founder, owner and President of our affiliate, Presotea Taiwan since 2006.

#### Trainers: Presotea Taiwan

All training will be conducted by employees or officers of our affiliate Presotea Taiwan, in Taiwan.

Currently our trainer is:

CHIEN, MEI-CHEN, who has been a Presotea Taiwan store training and operations managers in Taiwan since 2011, and in various positions with the company since 2006

Franchise Services Providers: Presotea Taiwan

All franchise services will be provided by employees or officers of our affiliate Presotea Taiwan.

Currently the principal individual service provider is:

TSAI, TSUNG CHAN, who has been with Presotea Taiwan as VP of Operations since October 1, 2016, and previously Operations Manager from September 1, 2012 to September 30, 2016.

Franchise Sales People:

MIN, YAO-TSUNG, is the Overseas Business Development Manager of Presotea Taiwan, in Taipei City, Taiwan since November of 2015.

**ITEM 3.**

**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4.**

**BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5.**

**INITIAL FEE**

You are required to pay our affiliate a \$20,000 training fee.

Before you open your first franchised Presotea Shop, you are required to pay us or our affiliate, Presotea Taiwan \$55,000 for the required equipment; \$18,000 for the required branding items, and \$50,000 opening inventory of supplies and food as detailed in the relevant Exhibits to the Master Franchise Agreement.

These fees are non-refundable.

*The remainder of this page is intentionally left blank.*

**ITEM 6.**  
**OTHER FEES**

<b>Type of fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee See Note A	1.67% Gross Revenues of each subfranchised Presotea Shop.	Payable monthly by Electronic Funds Transfer. Funds must be in your designated bank account in time so that we can obtain them by 20 days from the date of invoice of the month of sales, which royalties are due from the prior month.	See definition below for Gross Revenues. You will pay royalties by electronic funds transfer and must sign an authorization allowing direct transfers from your bank.
Brand Fund Fee See Note B	5% of Gross Revenues of each franchised Presotea Shop, once implemented	Payable yearly by Electronic Funds Transfer each January 31st	May be increased upon 60 days' notice. This Fund has not been implemented.
Local Advertising and Marketing	5% of Gross Revenues	Payable monthly to vendors as incurred	You must provide us with proof of your expenditures upon request. We must pre-approve local advertising
Equipment for each franchisee See Note C	\$55,000	Due upon ordering equipment; payable to our affiliate	You will re-sell this equipment to your franchisee.
Branded Items for each franchisee See Note D	\$18,000	Due upon ordering branded items; payable to our affiliate	You will re-sell the branded items to your franchisee.
Opening Inventory for each franchisee See Note D	\$50,000	Due upon ordering inventory; payable to our affiliate	You will re-sell the inventory to your franchisee.
Store Opening Fee See Note E	\$15,000	Due upon the opening of each Presotea Shop	Payable to us within 7 days of Invoice
Additional Training or Services	We charge a fee of \$200 per day per trainee for specific extra training you need, beyond the initial training, at your request or if we deem necessary, plus all expenses incurred by the trainer including travel/lodging costs, if any.	In advance of the additional training program(s)	If you or your franchisee obtains a new or replacement manager, or want additional training.

Type of fee	Amount	Due Date	Remarks
Transfer Fee	\$20,000	Before completing transfer	Payable only if you sell your Master Franchise Business to a new owner, or transfer a majority interest in ownership. Fee is not due if you transfer to a corporation or other entity with the same majority ownership and control.
Franchisee Relocation Fee	\$5,000	Upon submission to us of a proposed relocation site	Payable to us for our time in reviewing proposed new site and approval process your franchisee's relocation.
Software licensing fee	We do not have any proprietary software at this time but reserve the right to implement in the future.		
POS	We do not require a mandatory POS, but reserve the right to implement in the future.		
Audit Fee	Cost of the audit plus the amount of the underpayment, or other costs to us for identifying deficiencies.	Immediately upon billing	Costs of audit payable
Renewal	50% of then current Master franchise fee, if there is one, or otherwise on terms agreed to between Franchisor and Master Franchisee.	Before consummating Renewal	You will be required to sign a new Master Franchise Agreement on then current form, which may contain different terms.
Late Payment and Interest	Late charge equal to 2% of payment due, together with interest at the highest legal rate in your state.	On receipt of invoice	Interest is payable on entire overdue amount beginning with the date payment is due until payment, late charge and interest is paid in full.
Indemnification	Will vary under circumstances	As incurred	Losses we suffer from the operation of your business.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Awarded to prevailing party if you and we are involved in any legal claim.

Unless otherwise indicated, these fees are uniformly imposed and collected, and are payable to us or our affiliate, and are non-refundable.

#### Note A. Gross Revenues

Gross Revenues is the total selling price of all your franchisees' Presotea Shop products and services and all income of every other kind related to the subfranchised Presotea Shops (including any delivery

activities (which must be authorized in advance), and includes all sales or orders of food products and/or food preparation services, provided from or related to your franchisees' Presotea Shops, whether for cash, credit, barter or otherwise, including proceeds from the sale of gift cards gift certificates, coupons or similar promotions and regardless of collection in the case of credit extended. Gross revenues also includes applicable insurance proceeds for reimbursement of loss of business. Gross Revenues exclude: (i) sales tax, goods and services tax, value added tax or any other such equivalent taxes actually paid to the government; and (ii) any customer refunds or allowances or credits to customers, which shall only be deducted from your franchisees' gross revenues in the month in which such refunds, allowed or credits are actually paid or allowed to the customer, and documented on your franchisees' financial statements, or sales tax returns.

**Note B. Brand Fund Fees**

This Fund has not been implemented; we will give you at least 60 days' notice prior to implementation.

**Note C. Equipment for your Franchisees**

See Master Franchise Agreement, Exhibit J for example listing of Equipment

**Note D. Branded Items and Opening Inventory for your Franchisees**

See Master Franchise Agreement, Exhibit K, for example of Branded Items and Opening Inventory.

**Note E. Store Opening Fee.**

You are required to pay us an Opening fee of \$15,000 for each franchised store, upon opening of that store; See Master Franchise Agreement, Exhibit C.

**ITEM 7.**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Category</b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Paid</b>
Initial Fee	0	0			
Training Fee (Note A)	\$20,000	\$20,000	Lump Sum	Prior to Training	Presotea Taiwan
Rent & Security Deposit for Warehouse (3 Months) (Note B)	\$2,500	\$10,000	As Incurred	As Incurred	Landlord
Travel & Living Expenses While Attending Initial Training	\$12,000	\$14,000	As Incurred	As Incurred	Hotels, airline, Food, vendors,
Insurance (3 months) (Note C)	\$10,000	\$20,000	As Incurred	As Incurred	Vendor

Professional Fees (Note D)	\$10,000	\$25,000	As Incurred	As Incurred	Professionals
Additional Funds (4-6 months) (Note E)	\$143,000	\$153,000	As Incurred	As Incurred	Presotea Taiwan and other vendors
TOTALS*	\$197,500	\$242,000			

\*The numbers contained in this Item 7 are our good faith estimates and from information from our existing Master Franchisees, however, your costs may be significantly more or less than our estimates. You are encouraged to do independent research into the areas of the particular categories. The fees in this chart that are payable to us or our affiliate are not refundable. We and our affiliate do not provide financing for any part of these amounts.

Notes Regarding Initial Investment:

Note A: Training Fee

Our affiliate Presotea Taiwan will provide initial training. The Training Fee is \$20,000 to train at least 3 people if trained together at the same time and is non-refundable, and due after your complete training. A minimum of 3 people must come to Taiwan for training by Presotea Taiwan. You and/or a manager, who are responsible for full time business operations and management, must be trained in our initial training. You may have additional employees or new managers (or any franchisees additional employees or new managers) trained by Presotea Taiwan at your expense at a current training fee of \$200 per trainee per day. In all cases, you are solely responsible for all expenses incurred by the trainers, including travel and lodging expenses, if any. You and your manager are solely responsible for training all other employees. In the event that you have already signed, performed and made full payment under the Training Agreement, attached hereto as Exhibit F to Attachment B, you will not be further required to sign, perform and pay under the Training Agreement again in your capacity as a Master Franchisee.

Note B: Real Estate Rental.

You must have an office and must rent adequate warehouse space. You may be liable for the entire term of the lease(s) whether or not you succeed in the Master Franchised Business. You should consult your lease documents and your attorney. Your space must have adequate training area for employees, or separate space for a training center for your franchisees.

Note C: Insurance.

We require you to purchase and maintain, at your expense, throughout the term of this Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability. See Item 8 for details.

Note D: Legal and Accounting Professional Fees.

You must prepare the required Franchise Disclosure Document for selling franchises in Wisconsin, and in accordance with federal laws and you must register to sell franchises in the state of Wisconsin. The amounts listed are only an estimate. You may also need an attorney to assist and advise you in setting up your business organization and reviewing additional contract documents. This estimate does not include any ongoing needs for legal services in connection with relationships with your franchisees. Depending upon your experience and staffing, you will need accounting services, which will be extra.

You should consult your accountant for an estimate of initial fees. This amount will vary based on what the Professional charges.

Note E: Additional Funds.

This range estimates the sale of one new Presotea franchise in your first 4-6 months (after you obtain appropriate approval from the State of Wisconsin and consists of \$55,000 for the first franchisee's minimum equipment package (listed in Exhibit J to the Master Franchise Agreement), \$18,000 for the first franchisee's Branded items package, (listed in Exhibit K to the Master Franchise Agreement), \$50,000 for the first franchisee's minimum Opening Supplies and inventory, (listed in Exhibit K to the Master Franchise Agreement), and \$20,000-\$30,000 additional funds for expenses and include payroll costs utilities, royalties, other services. These estimates do not include owner compensation or return on investment. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. You are further advised to have access to more than the estimated additional funds, in the event of delays in training or other factors, which may utilize your additional funds prior to your business achieving a profit.

## **ITEM 8.**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase from our affiliate, Presotea Taiwan, or an approved supplier designated by us or Presotea Taiwan, the required purchases of equipment, furniture, fixtures, supplies, décor, branded items, computer systems, advertising materials, and inventory necessary to assist your franchisees in opening each franchised Presotea Shop, which you will re-sell to your franchisees at prices you deem appropriate. The approved vendor lists will be indicated in the Confidential Operations Manual and may change from time to time.

Our affiliate, Presotea Taiwan, is currently the approved vendor for the Equipment, inventory and Branded Items Package, indicated in Exhibit J and Exhibit H to the Master Franchise Agreement. The tea Equipment is specialized and only come from Taiwan; the inventory is proprietary and only comes from Taiwan. We require the same items to be in all Presotea shops to protect and support our Brand. Our affiliate sells these items at its cost plus a reasonable mark up, plus shipping/handling charges and taxes/tariffs. Our owners are also owners of our affiliate, Presotea Taiwan and our CEO has an interest in our affiliate, Presotea Taiwan.

In the year ended December 31, 2022, we did not derive any revenue based on purchases by Master Franchisees; our affiliate Presotea Taiwan earned \$594,493 in revenue, or 2.91% of its total revenue, based on purchases by Master Franchisees.

We require you to purchase and maintain, at your expense, throughout the term of this Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability. Such insurance shall consist of combined single limit coverage of at least one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) annual aggregate. (Your landlord may require more).

You must purchase and maintain worker's compensation and employer's liability insurance.

You must provide us with one or more certificates of insurance evidencing such coverage and naming us as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverage under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written notice of such cancellation or modification

has been given to us. Upon our request you must provide us with a copy of any insurance policy, including all endorsements. Every insurance policy must provide that coverage is primary/non-contributory.

The price of insurance varies widely; you should obtain a price quotation from your insurance agent or broker and not rely solely upon our estimate in planning to purchase the Franchise.

We may approve other vendors if you request it in writing or if a vendor requests it and if the vendor demonstrates to our satisfaction that it is financially stable and can provide product(s) or service(s) that meet our specifications and that are consistent with our image. These specifications include quality and durability of the items, whether the items meet all specifications of current items, the timeliness and efficiency of the vendor ordering process and efficient delivery timelines, the general availability of the items, the reputation and good will of the proposed new vendor, and other specifications which we may determine in our sole judgment based on the specific items to be obtained from the proposed new vendor. We charge our actual costs in evaluating a proposed vendor and testing the items. We will normally make our decision within 30-60 days. We reserve the right to disapprove any previously approved vendor whose performance falls below our standards. Specifications and standards are issued to you upon request, and we may change them at any time in our sole discretion, either in the operations manual updates or other electronic medium notification to you. Our criteria for supplier approval is available to you upon request.

We may receive rebates, discounts and allowances from some vendors with whom you do business, from 15% to 30%. If we do, we will use such monies for our business operating expenses, and are not obligated to refund you any such amounts.

We do not require you to purchase any particular computer hardware or software. We may negotiate purchase arrangements with suppliers for your benefit in the future. Except as described in this Item, we do not currently provide any material benefits to you based upon your use of designated or approved sources.

We estimate that your purchases of goods and services in accordance with specifications will represent approximately 80% to 90% of your total purchases in connection with establishing your franchisee's Presotea Shops and approximately 80%-90% of your total ongoing purchases in connection with operating your Master Franchise Business.

We do not have any purchasing or distribution cooperatives.

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**ITEM 9.****MASTER FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this franchise disclosure document.

Obligation	Section in Master Franchise Agreement	Item in Franchise Disclosure Document
a. Site selection and acquisition/lease	7	11
b. Pre-opening purchases/leases	6,7	7
c. Site development and other pre-opening requirements	6,7	5, 7, 17
d. Initial and ongoing training	6	11
e. Opening	6,7	
f. Fees	3,7, Ex. C	5, 6, 7
g. Compliance with standards and policies/Operating Manual	6,7	7, 8, 11
h. Trademarks and proprietary information	5, Ex. A	13
i. Restrictions on products/services	6,7	8, 16
j. Warranty and customer service requirements	N/A	
k. Territorial development and sales quotas	7, Ex. D	12
l. Ongoing product/service purchases	7	6, 8, 16
m. Maintenance, appearance and remodeling requirements	7	7, 11
n. Insurance	7	7
o. Marketing	7	11
p. Indemnification	7	17
q. Owner's participation	None	15
r. Records/reports	8	6
s. Inspections/audits	7	6
t. Transfer	10,11	17
u. Renewal	4	17
v. Post-termination obligations	13	17
w. Non-competition covenants	13	17
x. Dispute resolution	15	17

## **ITEM 10.**

### **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

## **ITEM 11.**

### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

Except as listed below, we are not required to provide you with any assistance.

#### **Pre-Opening Obligations.**

Before you begin selling Presotea Shops, we or our affiliate, Presotea Taiwan will:

1. License you to use and franchise our Marks and System in connection with selling Presotea Shops (Master Franchise Agreement, Sections 1, 5 and Exhibit A thereto);
2. Designate your Territory Master Franchise Agreement, Section 2 and Exhibit B thereto;
3. Provide you with list of required Kitchen Equipment you will purchase on behalf of each new franchisee, (Master Franchise Agreement Section 6 (D); Exhibit H, Exhibit J.
4. Provide you with a list of required initial opening product inventory and branded items you will purchase on behalf of each new franchisee (Master Franchise Agreement Article 6 (D); Exhibit K);
5. Provide you with Leasehold improvement guidelines and interior layout and décor you will use to advise each new franchisee (Master Franchise Agreement Section 6(A);
6. Provide you with suggested pricing guidelines, if requested for you to provide your franchisees as guidelines (Master Franchise Agreement, Section 6(G);
7. Loan you or provide electronic access to our Operations Manual, which will contain operations specifications, standards, procedures, processes, and requirements that you must ensure that each of your franchisees comply with, including trademark standards, which may be in a variety of formats from time to time, including paper, electronic, webinars, etc. The Operations Manual is confidential and remains our property. We will modify the Operations Manual, from time to time and you are required to comply with all changes. Attachment D to this Disclosure Document includes a copy of the Operations Manual's table of contents. The Operations Manual currently contains approximately 164 pages, plus ongoing addenda with recipes, which may change based on season or region. We have no separate manual for the Master Franchise Business or regarding how to sell franchises. We have additional training manuals on machine operation, opening closing procedures and Tea knowledge you will receive in training. Master Franchise Agreement, Section 6; and
8. Provide initial training for you (at least 3 persons) as provided below upon your payment of the Training Fee (Master Franchise Agreement, Section 6(C), and Exhibit F.

## Post-Opening Obligations.

After you begin selling franchised Presotea Shops, we, or our affiliate Presotea Taiwan will:

1. Take any actions we deem appropriate to protect or defend the Marks or System; Master Franchise Agreement, Section 5;
2. Provide you periodic updates to the Operations Manual (Master Franchise Agreement Section 6(F));
3. Provide you with ongoing lists of current and new menu items, recipes and suggested pricing guidelines, and approved vendors and approved items to be sold, which may be communicated through Operations Manual updates or other internal communications. (Master Franchise Agreement – Section 6 (A), 6(B), 6(D));
4. Provide a periodic training program for your or your franchisees' manager(s) and for certain other employees, at our regular charge for the training (Master Franchise Agreement - Section 6(H), Exhibit F);
5. Provide periodic consultation and advice concerning your operation of the Licensed Business and to generally be of assistance (Master Franchise Agreement, Section 6(H), Exhibit G);
6. Provide you specifically requested additional training onsite at a mutually agreeable time for the current daily additional training fee (currently \$200 per day per trainee plus travel costs). Master Franchise Agreement, Section 6(C), Exhibit F);
7. Maintain the website: [www.presotea.com](http://www.presotea.com) (Master Franchise Agreement, Section 6(H));
8. **Once implemented**, manage the Network Marketing Program and manage the Brand Fund Fees (Master Franchise Agreement, Section 7(c));
9. Provide ongoing Branded products and inventory as purchased by you for your franchisees. (Master Franchise Agreement, Section (D), Exhibit H);
10. Provide, at your request, any additional services through our affiliate, Presotea Taiwan, pursuant to a service agreement. (Master Franchise Agreement Exhibit G).
11. Approve or disapprove your business Location (Master Franchise Agreement Section 7H(1)).

## Marketing And Advertising

### Local Area Advertising

You must spend at least 5% Gross Revenues per month on local area advertising and must provide us with proof of franchisee expenditures upon our request. You must obtain our prior consent for local advertising. You may purchase certain specific marketing and advertising items from us or our affiliate, to market and advertise your franchisees' Presotea Shops. You may not use or allow your franchisees to

use any other advertising or marketing without our consent and may not utilize any ads we do not approve our consent, which we may withhold in our sole discretion to protect our brand and image.

### Grand Opening

We have no specific grand opening requirement for your Master Franchise Business. We recommend you advise your franchisees hold a Grand Opening, which they should expect to spend between \$5,000 to \$30,000 in Grand Opening promotions, and you must provide us a plan we will approve in any Grand Opening for any franchisee. The plan should include Public Relations, Media Outreach, Social Media, Events-Set up, Mailers, advertising, and on-site presence and promotions. We will provide guidelines for conducting a Grand Opening Plan (Franchise Agreement, section 2).

### Brand Fund

Once implemented, we will have a Brand Fund for Presotea branding in the United States, (the "Fund") for such advertising, marketing and public relations programs as we, in our sole discretion, may deem necessary or appropriate to promote Presotea Shop locations, in the United States. You must require that all your franchisees participate in all advertising and public relations programs instituted by the Fund. We will administer the Fund as follows:

Once the Brand Fund is implemented, you will pay 5% of your gross sales of each franchisee into the Fund. You may charge your franchisees a similar Brand Fund. However, you are responsible for collecting such Brand Fund from your franchisees, and their failure to pay you is not a defense to your obligation to pay us. The Fund may be used in our sole discretion to establish a Network Marketing Program to pay the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a telephone number for prospective customers to call for referral purposes; and providing promotional brochures and other marketing materials to you) and maintenance of our main website [www.presotea.com](http://www.presotea.com). No money will be spent by the Fund to solicit new Master franchises or franchisees except for the presence of the "franchises available page(s)" on the website. The Fund may be used to cover administrative costs and overhead we may incur including salary costs of employees working for the Fund, up to 15%.

All Presotea Shop locations owned by us or our affiliates in the United States, will contribute to the Fund on the same basis as you.

The Fund will be accounted for separately from our other funds. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all Presotea Shop locations to the Fund in that year, and the Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund. A statement of monies collected and costs incurred by the Fund will be prepared annually by us and will be furnished to you upon written request. This statement will not be audited.

The Fund is intended to maximize recognition of the Proprietary Marks and patronage of Presotea Shop locations throughout the United States, generally. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs, and to place advertising, in order to benefit all Presotea Shop locations, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by the Presotea Shop locations operating in that geographic area or that any Presotea Shop location will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. Your failure to derive any such benefit will not serve as a basis for a reduction or

elimination of your obligation to contribute to the Fund. We have no fiduciary obligation to you or any other Presotea Shop in connection with the establishment of the Fund or the collection, control or administration of monies paid into the Fund. We expect to focus all marketing using Brand Fund Fees in areas where we have one or more franchisees, although the Agreement does not require us to benefit you with every marketing program. We may charge our marketing research, development and production expenses against the Brand Fund Fees. Any Brand Fund Fees not used during any one year remain in the marketing fund for the next year. Except as expressly provided in the Franchise Agreement, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Fund.

Since the Fund is not yet established as of the effective date of this Franchise Disclosure Document, no money has been collected or spent by the Fund.

We are not required to spend any amount on advertising in your territory.

#### Advisory Councils

We currently do not have an advertising advisory council. We have the right to form, change or dissolve any advisory council.

#### Advertising Cooperatives

We do not have any local or regional advertising cooperatives. You will not be required to join an advertising cooperative. You are not required to start your own advertising cooperative for your franchisees but you may do so.

#### Computer Hardware And Software

We do not have any required computers systems, or software or required POS system. If you choose to use the POS system we may recommend, you will need to provide us with access to monitor your sales, and other information.

We may in the future require you to purchase, and have your franchisees purchase and install and use any upgraded POS system. If we do require any upgraded systems we do not anticipate it to cost more than \$5,000 initially but we cannot predict the future needs of the business.

We do not have any proprietary software at this time but reserve the right to create and implement such software into the system in the future.

#### Site Selection And Time To Open

You need an office and a warehouse space to start your business of franchising Presotea Shops. We do not provide you with site selection assistance for your warehouse. The time between signing the Master Franchise Agreement and opening your Master Franchise Business will be a factor of how quickly you are trained and how quickly you will have your Franchise Disclosure Document prepared and registered with the state of Wisconsin, as well as any required franchise broker registrations. We estimate this time frame to be between 4 and 6 months but may be longer depending on the State's timing and your timing to correct any deficiencies in your application

With regard to each individual franchisee, you or your Area Representative should generally assist or provide guidelines for your franchisees to search, identify and select the site for the franchisee's Presotea Shop. We will approve, conditionally approve (subject to receiving more information), or decline approval of

a site generally within 20 days of receiving your request for approval. Our site acceptance is based on residential population, traffic counts and patterns, competing establishments, median income levels, availability of parking, rental and lease terms, physical configuration of the site and growth trends in the area. We must approve any site selected, but our approval in no way serves as a guarantee of success for the location, only that it meets our general criteria. We recommend you reserve the right to terminate your franchisee's franchise agreement if your franchisee cannot find a suitable site within 180 days from your signing.

You shall not allow a franchisee to open a new Presotea Shop for business until: (1) we approve the location improvements as developed according to our specifications and standards; (2) the initial training been completed to our satisfaction, and your franchisees have been adequately trained; (3) the required Master Franchise Fee then due to us has been paid and (4) we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums. You must require your franchisees to open the Presotea Shop for business within 20 days after we notify you that it is ready to open unless there are circumstances beyond your control.

The typical length of time between when you sign a Master Franchise Agreement and the time when your Master Franchise opens for Business will generally be 4 to 6 months, or more, but may be sooner.

The factors affecting this length of time include the time necessary for you to complete training, to obtain your warehouse location, and to have your Franchise Disclosure Document prepared and registered with the state of Wisconsin.

You must reserve the right to require your franchisees to remodel or upgrade their Presotea premises to current standards and look upon our requirement, but not less than once every 3 years, except upon relocation or renewal of the franchise agreement.

You must have your franchisees execute a Conditional Lease Assignment or similar language in their location leases, assigning rights to take over the location to us upon their default. The Form Conditional Lease Assignment is in Exhibit L to the Master Franchise Agreement.

## Operations Manual

Our Operations Manual contains all aspects about the operations of your Master Presotea Business, including training your franchisees in the operations of a Presotea Shop and our company philosophy, and is 164 pages. We reserve the right to modify, add, delete and revise the Manual at any time in our sole discretion, and if we do we will provide you with updates sections either electronically or hard copy or both. The Table of Contents of our Operations Manual is contained in Attachment D.

## Training

The Initial Training Fee is \$20,000. Our Initial Training Program consists of approximately 120 hours over 15 days, concerning all aspects of the operation and management of the franchisee's Presotea Shop, including review and discussion of the Confidential Operations Manual. Any additional training beyond the Initial Training Program will be provided at a cost to you of \$200 per day per trainee plus expenses incurred for such training including but not limited to costs of accommodation, salaries, meals and travel in connection therewith. Listed below is a chart showing our tentative training schedule, the principal instructors, the instructional material you will use, and the location of the training:

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
<b>Store Level</b>			
A1. Company Introduction	8		HQ Office in Taiwan
A2. Store Operations	28	16	HQ Office/ Corporate Store in Taiwan
<b>Master Franchise Level</b>			
B1. Store Operations	4		HQ Office in Taiwan
B2. Engineering Department	4		HQ Office in Taiwan
B3. Maintenance Department	4		HQ Office in Taiwan
B4. Store Development	4		HQ Office in Taiwan
B5. Supply Chain Management	4		HQ Office in Taiwan
B6. Beverage Recipe	32	16	HQ Office/ Corporate Store in Taiwan
Total Hours	88	32	

All times are approximate and we may adjust them based upon your experience and rate of learning. The above schedule is only an estimate and not a definitive set of hours and we may add topics and hours and delete topics and hours based on our refinement of the Training Program at our discretion. We conduct our training program when we have a Master Franchisee.

Our training is provided by personnel of our affiliate, Presotea Taiwan. The current individual trainers and their experience are listed in Item 2. Our trainer CHIEN, MEI-CHEN has been experienced with our affiliate and Presotea locations since 2006.

All training in the Initial Training Program occurs at the offices of our affiliate Presotea Taiwan, and at one or more Presotea locations in Taiwan location. You and your trainees must successfully complete the Initial Training Program. We will decide whether you successfully complete the Initial Training Program based upon knowledge, our observations of your ability to use the knowledge effectively. If you or your manager do not successfully complete the Initial Training Program, you or your manager may be required to retake it for an additional fee, or have an alternative person who will manage the Master Franchise Business take the training for an additional fee, or until the manager passes the training. We

have the right to subcontract out all training to be conducted to you by another Master Franchisee, and if we do, it's possible the training may occur in a location in the United States.

You are responsible for training *all* your employees as well as all your franchisees and their employees as needed, at the training center which you establish locally, except those owners and managers of your Master Franchise Business, who are required to go through our Initial Training Program.

You are solely responsible for all recruitment, hiring and management of your employees. We do not consult on or participate in employee hiring, management, payroll, or employment legal obligations. You are advised to consult appropriate employment professionals.

Additional training or services requested by you will be \$200 per day per trainee plus travel and accommodation expenses incurred by the trainer. We may require you to attend additional training during the term of your Master Franchise Agreement.

## **ITEM 12 TERRITORY**

You will receive an exclusive territory, subject to the restrictions below.

We will grant you a geographic territory ("Territory"), which we will describe in Exhibit B to the Master Franchise Agreement. If you are not in breach of the Agreement, we will not establish another Master Franchisee nor directly sell, or allow others to sell a Presotea Shop or establish a company owned Presotea Shop in your Territory, during the term of the Master Franchise Agreement.

You are permitted to franchise and sell Presotea Shops only within your Territory. If a franchisee seeks to relocate their Presotea Shops you must obtain our approval of the new location, which must be inside your Territory. We have the right to deny a relocation that in our opinion would be too close to another Presotea Shop even if inside your Territory. We will not re-draw your Territory without your consent.

The Master Franchise Agreement does not grant you any options, rights of first refusal or similar rights to contiguous territories.

You may only engage in direct marketing within your Territory.

Neither we nor our affiliates operate or plan to operate or franchise businesses under a different trademark that will sell goods or services that are the same as or similar to those the Master Franchisee will sell. It is possible we may be acquired by a competitor who has stores that sell substantially the same products as your franchisees' Presotea Shops, inside or outside your Territory, and such actions are expressly permitted by this disclosure and not a violation of your exclusive Territory. If this happens we or the competitor will not open additional competing stores inside your Territory.

You may not market the sale of franchises over the Internet through social media, nor through other alternative distribution methods, without our express approval, which we will not unreasonably deny. You must adhere to our social media policy.

We will not use alternative methods of selling master franchisees, including the Internet, within your Territory, under our principal trademarks or different trademarks. We will not be soliciting or accepting "any orders" for master franchisees inside your Territory.



The maintenance of your Territory protection is dependent on the following restrictions:


- (a) Your Master Franchise Business shall reach break-even (total sales revenues equals total costs and expenses) in the 3<sup>rd</sup> year commencing the date of the Master Franchise Agreement.
- (b) Your Master Franchise Business shall, on an annual basis, have an operating margin (earnings before interest and taxes divided by sales revenue) of 20%, for each of the 4<sup>th</sup> and 5<sup>th</sup> year commencing the date of the Master Franchise Agreement.
- (c) You shall have franchised and opened at least a minimum of 10 Presotea Shops in the protected Territory within 6 years of the signing of the Master Franchise Agreement, as indicated in Exhibit D of the Master Franchise Agreement.

If your Master Franchise Business does not meet one of these conditions, we will have the option of immediately and unilaterally terminating your exclusivity and appoint another Master Franchisee for your Territory, and we shall also have the option of unilaterally and immediately terminating the Master Franchise Agreement.

Except as described above, we and our affiliate(s) will not establish other Master Franchisees, or any franchised or company-owned Presotea Shop within your Territory. Except as described above, we will not alter your Territory.

**ITEM 13.  
TRADEMARKS**

Our affiliate, Presotea Taiwan owns the trademark/application indicated below (“Mark”) and has entered into an unlimited duration Trademark License Agreement with us authorizing us to license the right to use the Mark and the right to use the name “Presotea” in order to sell Master Franchises in the United States, and to authorize those Master Franchisees to subfranchise Presotea Shops. If we lose our right to license to you, you will automatically have a direct license with our affiliate, Presotea Taiwan, and will not lose any rights to use the Mark or the name “Presotea” in accordance with the Franchise Agreement. You must follow our rules when you use the Mark. You may only use the Mark exactly as we specify. You may not use the Mark or any other logos we designate in connection with the offer or sale of any unauthorized product or service..

MARK	REGISTRATION DATE	REGISTRATION NO.	I.C.	STATUS
	JANUARY 7, 2020 (principal register)	5956179	30 43	REGISTERED

We may develop other logos and designate them for your use.

No affidavits or renewals have been due but we plan to file all affidavits and renewals when due. There are no presently active determinations of the USPTO or any state or any court, any pending

interference, opposition or cancellation proceeding or any pending material litigation involving the Mark that is relevant to your ability to use the Mark in connection with the Presotea Shops.

There are no agreements that significantly limit our rights to use or license you to use the Mark in any manner material to the Presotea Shops.

You must inform us if you become aware of any misuse or misappropriation of the Mark or anything confusingly similar. You may not start any litigation relating to the wrongful use of the Mark without our prior written approval. We may take whatever action we deem appropriate to protect or defend the Marks or System, but we need not take any action.

We do not know of any person claiming or having superior rights to the Mark or of any infringing uses of the Mark that could materially affect your use of the Marks.

If a third party sues you or threatens to sue you, claiming that you are infringing the trademark or trade name of the third party by using the Mark, you must inform us immediately. We will determine whether or not to defend and indemnify you in this lawsuit, and if we do, we have the right to control the litigation including any settlements, which we will indemnify you for. However, we will not agree to any judgment against you.

It may become necessary in our sole discretion, because of trademark litigation, a decision of the USPTO, or otherwise, to change the Mark. In that event, you and your franchisees must adopt the new or revised Marks at your cost, unless the change is as a result of a trademark infringement judgment for our use and your use, and in such case, and our maximum liability, is to reimburse you for your actual out-of-pocket costs of changing the principal signs identifying your franchisees' Presotea Shops.

Your and your franchisees' use of the Mark and any goodwill is to our exclusive benefit and neither you nor they retain any rights in the Mark. You also retain no rights in the Mark upon expiration or termination of the Master Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing.

You may not, and you must ensure that your franchisees do not use our Mark, the name or the word "Presotea" in your or their corporate or LLC name. Your franchisee or their corporation or LLC may file a fictitious business name statement in the county where their Presotea Shop is located, with our prior consent as to format of the name.

The Master Franchise Agreement provides that we may change the System presently identified by the Mark, including the adoption of new Mark, new products, new equipment or new techniques and you must adopt the changes in the System at your cost. You must ensure that your franchisees comply within a reasonable time if we notify you to discontinue or modify your use of the Mark. Except as provided in this Item 13, we will have no liability or obligation to reimburse you for your modification or discontinuance of the Mark or costs of implementing a new Mark.

## **ITEM 14.**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not currently own any patents. We claim copyright protection in the Operations Manual and revisions, and all training materials we provide or sell to you and your employees. We have not registered any copyrights but may in the future.

We claim proprietary and copyright protection in all our recipes. You may not copy, reverse engineer or otherwise duplicate or substantially duplicate any of our proprietary menu items, including the names of the items as used in the Presotea Shops.

We or our affiliate will protect you against any copyright infringement claims arising from your use of the Operations Manual, training materials, recipes, and any other items we hereafter claim copyright protection, providing that you promptly notify us of any alleged infringement claim. The Master Franchise Agreement does not require us to take any specific affirmative action when notified of infringement. However, we or our affiliate will have the right to control over any litigation and will defend you in any such litigation. Our obligation may be contingent upon requiring you to modify or discontinue use of any infringing copyrighted material. If this happens you must discontinue such use and we will pay for substituted materials.

The Manual(s), the contents of each, and certain other information we will provide to you, including certain international materials financial information, including reports on marketing funds expenditures, are all confidential information. All information we provide to you or which you develop in the course of performing under the Franchise Agreement, which is not generally available to the public is our Proprietary Information. You are responsible for protecting all Proprietary and Confidential Information and you cannot transfer them or sell the same to anyone at any time, except your franchisees in accordance with the Master Franchise Agreement.

All of your employees must sign a confidentiality agreement in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use. The current form of confidentiality agreement is Exhibit I to the Master Franchise Agreement. Your franchise agreements must also provide for similar confidentiality requirement with their employees.

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE OPERATION OF THE FRANCHISED BUSINESS**

You must either devote your full time and effort to managing and operating the Master Franchised Business or delegate its management or operation to a trained manager, and must reserve and exercise ultimate authority and responsibility over operation and management. If you delegate management and operation to a manager, the manager must first successfully complete our initial training program before, or within thirty days after assuming the role of manager. If you are a corporation or other entity, each owner must personally guaranty the Agreement and the entity must designate a competent manager. We do not require the designated manager to be an equity owner of the franchised business.

All of your managers and employees must sign a confidentiality agreement in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use. The current form of confidentiality agreement is Exhibit I to the Master Franchise Agreement. We do not have any other restrictions on who may act as your managers and employees.

## **ITEM 16.**

### **RESTRICTIONS ON WHAT THE MASTER FRANCHISEE MAY SELL**

You may sell Unit Presotea franchises and Area Representative franchises in the Territory according to our System.

You must ensure your franchisees offer for sale only products and services we approve. You must ensure that your franchisees offer all required products and services under our Marks and following our System. You must obtain your product, inventory, supplies and equipment for your franchisees from vendors and suppliers we approve.

Our affiliate, Presotea Taiwan, is the only approved supplier for the Branded Items, the Equipment and inventory. We have sole discretion in determining what constitutes the Presotea Shop image.

You must ensure that your franchisees will not sell products and services through alternative distribution channels or through the Internet in any online manner, unless and until we implement an online ordering system (and then only in accordance with our specifications or unless with our prior express approval, which we may deny in our sole discretion).

We may change the menu items, recipes, inventory requirements, or any other part of the System at any time, and you must implement all changes with your franchisees at your or their expense. We own any improvements or changes in the System whether we, you or other franchisees develop them and have the right to adopt and perfect such improvements or changes without compensating you or your franchisees. If we modify the System, you must, at your own expense, adopt and use the modification(s) as if they were part of the System at the time you signed the Master Franchise Agreement, providing we implement such changes across all the Master franchises. There are no restrictions on our right to modify the types of goods and services your franchisees will offer that we determine should be offered at all Presotea Shop locations.

You must ensure that your franchisees will not use their Presotea Shops for any purposes other than the operation of the Presotea Shops in full compliance with the Franchise Agreement and Operations Manual. You must purchase for your franchisees' use and for their Presotea Shops to offer, each of and only the types, brands, food and menu items, recipes, and quality of products and services we designate, and no others we do not designate.

You must ensure that your franchisees operate your Presotea Shops all days and during the minimum hours we prescribe in the Operations Manual, unless local conditions, or terms of their lease, require different days/hours or you obtain our prior written consent. Your franchisee' Presotea Shop operations must comply with all laws, including, but not limited to, laws on packaging, labeling, health and sanitation, environmental waste, and the like. You must investigate these laws and ensure compliance.

Any variation from our mandatory requirements requires our prior written approval. We grant approval only in exceptional cases in our discretion. Granting an exception to one franchisee does not require us to grant that same exception to another franchisee. We may add to, modify or discontinue the approved list of menu items, ingredients, preparation processes, or other goods and services your franchisees must offer. We communicate changes by written bulletin or revisions to the Operations Manual. There is no limit on our right to impose these modifications. You will be given reasonable time (at least 30 days) after notice from us to ensure your franchisees implement changes and stop selling particular items which we delete from the approved list.

*The rest of this page is intentionally left blank.*

**ITEM 17.****RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

	<b>Provision</b>	<b>Section in Master Franchise Agreement</b>	<b>Summary</b>
a.	Term of the Master Franchise Agreement	Sect. 4	6 years.
b.	Renewal or extension of the Master Franchise term	Sect. 4	If You are in good standing and We continue the franchise system in Your area, We may permit You to renew for another 6-year Master Franchise term under the then-current Master Franchise Agreement, which may be materially different than the agreement you sign.
c.	Requirements for you to renew or extend	Sect. 4	Renewal means to continue in a Master Franchisee relationship in your Territory to subfranchise and supporting new and existing franchisees for compensation. You must be in good standing, sign new Master Franchise Agreement, which may be materially different than the agreement you sign, give 12 months' notice of Intent to Renew, and pay a Master Renewal fee of 50% of current Master franchise fee then offered in your Territory, if any, or other negotiated terms, and have complied with development schedule.
d.	Termination by You	Sect. 12	You may terminate under any grounds permitted by law.
e.	Termination by Franchisor without cause	None	
f.	Termination by Franchisor with cause	Sect. 12	We may terminate your Master Franchise Agreement only for cause. We may, in lieu of terminating your Master Franchise Agreement, terminate your territorial rights and leave the rest of your Master Franchise Agreement in full force and effect; however, terminating your territorial rights does not limit our rights thereafter to terminate your Master Franchise Agreement for the same or a different cause.

	<b>Provision</b>	<b>Section in Master Franchise Agreement</b>	<b>Summary</b>
g.	"Cause" defined--defaults which can be cured	Sect 12	<p>You have 5 days to cure: failure to pay us or our affiliate; attempted unauthorized assignment; temporary abandonment; misuse of Marks; refusal to permit an audit; violation of any law or rule, you or your franchisees' failure to use approved vendors; failure of your franchisees to have sufficient inventory; failure of your franchisees to have trained manager on premises; failure of franchisees to maintain insurance; failure of your Area Representative to follow their requirements.</p> <p>You have 30 days (subject to state laws) to cure any other breach of the Master Franchise Agreement not specified for a shorter period.</p>
h.	"Cause" defined--defaults which cannot be cured	Sect. 12	<p>Non-curable defaults: FAILURE TO MAINTAIN THE FINANCIAL PERFORMANCE REQUIREMENTS LISTED IN YOUR MASTER FRANCHISE AGREEMENT AND ITEM 12; failure to complete training successfully, repeated defaults, even if cured; you are adjudged bankrupt; assignment for benefit of creditors; abandonment of business; failure to oversee your franchisees to correct any health codes violation or regulations; conviction of a felony, unethical or dishonest business dealings; termination of any other agreement between you and us for cause.</p>
i.	Your obligations on termination/expiration	Sect. 12,13,19	<p>No further use of Marks, telephone numbers, telephone listings, computer software, trade secrets or the Operations Manual; certain notification obligations; payment of sums due to us; sign document(s) to transfer telephone numbers; continuing royalties on pending sales, if any; turn over all franchise agreements and franchisee files to us, and We have option to purchase any part of your business assets. We will take over your position on all your franchise agreements and you must cooperate in a changeover procedure, in order to facilitate a smooth transition. We have the right to assign our rights as the assignee Franchisor, of the Presotea franchise agreements to another Master Franchisee. You may not compete.</p>
j.	Assignment of contract by Franchisor	Sect. 11(A)	<p>No restriction on our right to assign if our assignee assumes all of our obligations.</p>

	<b>Provision</b>	<b>Section in Master Franchise Agreement</b>	<b>Summary</b>
k.	"Transfer" by You—definition	Sect. 11(B)	Includes any assignment, transfer, sale, of the Master Franchise Agreement, or of any ownership interest in the Master Franchisee if you are a corporation, partnership or limited liability company or other form of Entity. You are not permitted to separately sell your rights in any individual Presotea franchise agreements.
l.	Franchisor's approval of transfer by Master Franchisee	Sect. 11(B)	Franchisor has the right to approve or disapprove all transfers. Franchisor will not unreasonably withhold its approval.
m.	Conditions for Franchisor's approval of transfer	Sect. 11(B)	You are current in all fees to us; You are not in material breach of the Master Franchise Agreement; No recent health and safety violation; You have paid all debts of your business; new Master Franchisee signs release of claims against Us for representations You made; You sign a mutual termination and release of the Agreement; We receive Transfer Fee \$20,000; new Master Franchisee signs the then-current form of Master Franchise Agreement, new Master Franchisee qualifies; new Master Franchisee successfully completes initial training program; new Master Franchisee obtains rights to your warehouse lease, and to your franchise agreements and we receive 30 day right of first refusal.
n.	Franchisor's right of first refusal to acquire your Master Franchise Business	Sect. 11(C)	We may match any offer for your Master Franchise Business.
o.	Franchisor's option to purchase your Master Franchise Business	Section 12	On termination or expiration all your Master Franchise Business will be assigned to Us on terms to be further discussed between you and Us.
p.	Your death or disability	Sect. 10	Your heirs or personal representative must, within 6 months, either (i) request the right to continue to operate the business, subject to Article 13 of the Master Franchise Agreement except that no Transfer Fee will be payable, or (ii) sell the Master Franchise to a third party, subject to Article 13 of the Master Franchise Agreement. The same applies if you become disabled as defined in Article 14 of the Master Franchise Agreement.

	<b>Provision</b>	<b>Section in Master Franchise Agreement</b>	<b>Summary</b>
q.	Non-competition covenants during the term of the franchise	Sect. 13	Master Franchise shall not during the term of this Master Franchise Agreement, engage in any other business, whether as an owner, employee, investor, consultant or otherwise, which business franchises or supports any business similar to a Presotea Shop.
r.	Non-competition covenants after the franchise is terminated or expires	Sect. 13	Subject to State laws, for 24 months, you must not be connected with any business that is similar to a Presotea Shop, or a business franchising or servicing franchisees of a similar business, within the boundaries of your Territory, whether as an owner, officer, employee, consultant or otherwise.
s.	Modification of the Master Franchise Agreement	Sect. 14	Only by written agreement; We may modify Operations Manual at any time.
t.	Integration/merger clause	Sect. 14	Only the terms of this Franchise Disclosure Document and the Master Franchise Agreement are binding (subject to state law). Any other promises or agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Sect. 15	Subject to State law, and except for actions for the sole purpose of collecting unpaid monies, including franchise fees, royalties or Brand Fees or to enforce trademark or trade secret rights and covenants against competition, We and You will settle all disputes by mandatory binding Arbitration.
v.	Choice of forum	Sect. 15	Litigation or arbitration must be in the state of Wisconsin, subject to state law.
w.	Choice of law	Sect. 15	The law of the state of the Wisconsin applies, subject to state law.

## **ITEM 18.**

### **PUBLIC FIGURES**

We do not currently use any public figure to promote the Master Franchise Business, or the Presotea Shops.

## **ITEM 19.**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the



actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting, CHANG, CHIA-HUA, No.3, Fuxing St., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.), email: java@melisun.com, and the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20.**  
**MASTER FRANCHISEE INFORMATION**

Table 1  
System-wide Master Franchises Summary  
For years 2020 to 2022

Outlet Type	Year	Master Franchises at the Start of the Year	Master Franchises at the End of the Year	Net Change
Master Franchise Business	2020	0	21	+21
	2021	21	11	-10
	2022	11	21	+10
Total Company owned Master Businesses	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Master Franchises	2020	0	21	+21
	2021	21	11	-10
	2022	11	21	+10

**Table 2**  
**Transfers of Master Franchise Businesses from Master Franchisee to New Master Franchisee Owners**  
**(other than the Franchisor)**  
**For years 2020 to 2022**

State	Year	Number of Transfers
Total	2020	0
	2021	0
	2022	0

**Table 3**  
**Status of Master Franchisee Businesses**  
**For Years 2020 to 2022**

State	Year	Masters at Start of Year	Masters Opened	Terminated	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Masters at End of Year
Arizona	2020	0	1	0	0	0	0	0
	2021	1	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
California	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Colorado	2020	0	1	0	0	0	0	1
	2021	1	1	1	0	0	0	1
	2022	1	0	0	0	0	0	1
Florida	2020	0	1	0	0	0	0	1
	2021	1	1	1	0	0	0	1
	2022	1	0	0	0	0	0	1
Georgia	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
Idaho	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Illinois	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Indiana	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
Iowa	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Kansas	2020	0	1	0	0	0	0	1
	2021	1	1	1	0	0	0	1

	2022	1	0	0	0	0	0	1
Louisiana	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Maryland	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Michigan	2020	0	1	0	0	0	0	1
	2021	1	1	1	0	0	0	1
	2022	1	0	0	0	0	0	1
Minnesota	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
Nebraska	2020	0	1	0	0	0	0	1
	2021	1	1	1	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	1	0	0	0	0	1
New York	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	1	1	0	0	0	1
North Carolina	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	1	0	0	0	0	1
	2020	0	0	0	0	0	0	0
Ohio	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Oklahoma	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	1	0	0	0	0	1
Oregon	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Pennsylvania	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
South Carolina	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Tennessee	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Texas	2020	0	1	0	0	0	0	1
	2021	1	1	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2020	0	0	0	0	0	0	0
Utah	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Virginia	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	1	0	0	0	0	1

Washington	2020	0	1	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>Totals*</b>	<b>2020</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>
	<b>2021</b>	<b>21</b>	<b>8</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>
	<b>2022</b>	<b>11</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>

\* Attachment C to this Franchise Disclosure Document is a list of all Master Franchisees in the U.S. as of December 31, 2022.

Table 4  
Status of Company-Owned Outlets (US)  
For Years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Table 5  
Projected Master Franchise Business Openings As of December 31, 2022

State	Master Franchise Agreements Signed But Master Franchise Business Not Opened	Projected New Master Franchised Businesses In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
TOTALS	0	0	0

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former master franchisees have signed confidentiality clauses that restrict them from discussing with you about their experience as a master franchisee in our franchise system.

There is no trademark-specific franchisee organization associated with the franchise system which the franchisor has created, sponsored or endorsed. There is no independent trademark-specific franchisee organization which has asked to be included in the disclosure document.

## **ITEM 21.**

### **FINANCIAL STATEMENTS**

EXHIBIT A contains our audited Financial Statements, for the periods ending December 31, 2022, December 31, 2021, and December 31, 2020. Also included are an **unaudited** Balance Sheet and Statement of Income as of June 30, 2023. THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Our fiscal year ends on December 31.

## **ITEM 22**

### **CONTRACTS**

The following are the contracts and agreements you may be asked to sign, that are included in this Franchise Disclosure Document:

FDD:

Master Franchise Agreement-FDD Attachment B  
General Release-FDD Attachment G

Master Franchise Agreement Exhibits:

Training Agreement, Franchise Agreement, Exhibit F  
Service Agreement, Franchise Agreement, Exhibit G  
Supply Agreement, Franchise Agreement, Exhibit H  
Confidentiality Agreement (For Master Franchisee's Employees)-Exhibit I  
Lease Conditional Assignment Agreement, Exhibit L  
Personal Guarantee- Exhibit N

## **ITEM 23.**

### **RECEIPT**

There are two identical copies of the RECEIPT at the end of this Franchise Disclosure Document. Please remove one copy, sign and date it the day you received it, and return it to us, and keep the other copy for your records.

*The remainder of this page intentionally left blank.*

# PRESOTEA



## FRANCHISE DISCLOSURE DOCUMENT

### ATTACHMENTS

ATTACHMENT A	Financial Statements
ATTACHMENT B	Master Franchise Agreement with Exhibits
ATTACHMENT C	List of Current and Former Master Franchisees
ATTACHMENT D	Table of Contents for Manual
ATTACHMENT E	State Administrators and Agents for Service of Process
ATTACHMENT F	State Specific Addenda
ATTACHMENT G	General Release
ATTACHMENT H	Receipts

**ATTACHMENT A**  
**FINANCIAL STATEMENTS**

**Presotea (USA) CO., LTD.**  
**Balance Sheets**  
**June 30,2023**

**ASSETS**

	2023	%
Current Assets		
Bank Deposit	\$ 177,652.84	84%
Accounts Receivable	\$ -	0%
Temporary payment	\$ 34,400.00	16%
Total Current Assets	\$ 212,052.84	100%
 Total Assets	 \$ 212,052.84	 100%

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Current Liabilities		
Other payable - related party	\$ 130,176.56	61%
Other Accrued Expenses	\$ 10,453.13	5%
Receipts in advance	\$ 42,000.00	20%
 Total Current Liabilities	 \$ 182,629.69	 86%
 Stockholder's Equity		
Common Stock, no par value :		
authorized 1,000 shares		
issued and outstanding 1,000 shares	\$ 400,000.00	189%
Accumulated Deficit	(\$373,472.75)	-176%
Profit for the year	\$2,895.90	1%
Total Stockholder's Equity	\$ 29,423.15	14%
 Total Liabilities and Stockholder's Equity	 \$ 212,052.84	 100%



Presotea (USA) CO., LTD.

Statements of Operations

For the Period from Jan 1, 2023 to June 30, 2023

		Unit: USD	
	\$		%
Revenue	\$ 59,531.33		100.00
Cost of Goods Sold	\$ 5,605.96		9.42
Gross Margin	\$ 53,925.37		90.58
Operating Expenses	\$ 50,229.47		84.37
Gain from Operations	\$ 3,695.90		6.21
d Non-operating income & expenses	\$ -		0.00
Gain Before Income Taxes	\$ 3,695.90		6.21
Income Tax Expense	\$ 800.00		1.34
Net Gain	\$ 2,895.90		4.86

February 15, 2023

**Mr. Sam Kuo**  
**PRESOTEA (USA) CO., LTD.**  
No. 3, Fuxing St., Tucheng Dist.  
New Taipei City 236, Taiwan (R.O.C.)

Dear Mr. Kuo:

We are enclosing three copies of the audited financial statements of **PRESOTEA (USA) CO., LTD.** as of and for the year ended December 31, 2022. Please feel free to call us if you should have any questions.

Very truly yours,

Enclosure -  
as stated

**PRESOTEA (USA) CO., LTD.**  
Independent Auditors' Report  
and Financial Statements  
December 31, 2022 and 2021

**TABLE OF CONTENTS**

<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements</b>	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Stockholder's Equity	5
Statements of Cash Flows	6
<b>Notes to Financial Statements</b>	7-13

**JTC ACCOUNTANCY CORP**  
CERTIFIED PUBLIC ACCOUNTANTS  
4989 Santa Anita Avenue, Temple City, CA 91780  
Tel: (626) 279-1289 Fax: (626) 279-1878

**Independent Auditors' Report**

Board of Director and Stockholder  
**Presotea (USA) Co., Ltd.**

**Opinion**

We have audited the accompanying financial statements of **Presotea (USA) Co., Ltd.** (a State of Delaware corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of **Presotea (USA) Co., Ltd** as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Presotea (USA) Co., Ltd.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Presotea (USA) Co., Ltd.**'s ability to continue as a going concern within one year after the date that the financial statements are issued.

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## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they could reasonably be expected influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Presotea (USA) Co., Ltd.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Presotea (USA) Co., Ltd.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*JTC Accountancy Corp.*

Temple City, California  
February 15, 2023

**PRESOTEA (USA) CO., LTD.**

Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 194,094	203,184
Accounts receivable	3,471	-
Prepaid income tax	7,000	7,000
Total Current Assets	<u>204,565</u>	<u>210,184</u>
Deferred income tax assets, net	-	-
Total Assets	<u>\$ 204,565</u>	<u>210,184</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
Current Liabilities		
Other payable - related party	\$ 127,538	144,109
Deferred revenue	-	7,000
Accrued expenses	50,500	54,000
Total Current Liabilities	<u>178,038</u>	<u>205,109</u>
Total Liabilities	<u>178,038</u>	<u>205,109</u>
Stockholder's Equity		
Common stock, no par value; authorized 1,000 shares issued and outstanding 1,000 shares	400,000	400,000
Accumulated deficit	<u>(373,473)</u>	<u>(394,925)</u>
Total Stockholder's Equity	<u>26,527</u>	<u>5,075</u>
Total Liabilities and Stockholder's Equity	<u>\$ 204,565</u>	<u>210,184</u>

The accompanying notes are an integral  
part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
**Statements of Operations**  
**For the Years Ended December 31, 2022 and 2021**

	2022	2021
Revenue	\$ 190,759	176,877
Cost of Revenue	19,076	17,687
Gross Profit	171,683	159,190
Operating Expenses	149,406	320,581
Income (Loss) from Operations	22,277	(161,391)
Income (Loss) Before Income Taxes	22,277	(161,391)
Income Tax Expense	(825)	(45,147)
Net Income (Loss)	\$ 21,452	(206,538)

The accompanying notes are an integral  
part of these financial statements



**PRESOTEA (USA) CO., LTD.**

Statements of Changes in Stockholder's Equity  
For the Years Ended December 31, 2022 and 2021

	Common Stock		Accumulated Deficit	Total Equity
	Shares Issued	Amount		
Balance, January 1, 2021	1,000	\$ 200,000	\$ (188,387)	\$ 11,613
Capital injection		200,000		200,000
Net loss			(206,538)	(206,538)
Balance at January 1, 2022	1,000	400,000	(394,925)	5,075
Net Income	-	-	21,452	21,452
Balance at December 31, 2022	1,000	\$ 400,000	\$ (373,473)	\$ 26,527

The accompanying notes are an integral  
part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Net income (loss)	\$ 21,452	(206,538)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Deferred income taxes	-	44,322
Changes in operating assets and liabilities:		
Accounts receivable	(3,471)	232,000
Other payable - related party	(16,571)	(185,207)
Deferred revenue	(7,000)	(130,417)
Accrued expenses	(3,500)	41,500
Net Cash Used for Operating Activities	(9,090)	(204,340)
Cash Flows from Financing Activity		
Capital injection	-	200,000
Net Cash Provided by Financing Activity	-	200,000
Net Decrease in Cash and Cash Equivalents	(9,090)	(4,340)
Cash and Cash Equivalents, Beginning of Year	203,184	207,524
Cash and Cash Equivalents, End of Year	194,094	203,184
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for:		
Income taxes	\$ 825	825

The accompanying notes are an integral  
part of these financial statements

**PRESOTEA (USA) CO., LTD.**

Notes to Financial Statements  
December 31, 2022 and 2021

**Note 1 - Organization and Business**

Presotea (USA) Co., Ltd. (the “Company”) was established as a corporation in the State of Delaware on August 24, 2018. It is a wholly owned subsidiary of Presotea Co., Ltd., a Taiwan incorporated company. The Company is in the business of franchises of PRESOTEA, a branding of consumer tea beverage products. The Company sublicenses from Presotea Co., Ltd., of the PRESOTEA brand, its franchise and operating system in the United States.

As of December 31, 2022, the Company’s equity was only \$26,527. To the extent necessary, the Company’s parent company, Presotea Co., Ltd., will provide financial support to the Company to ensure that it is able to meet its obligations and carry on its business without significant curtailment of operations.

**Note 2 - Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompany notes. Actual results may differ from those estimates and assumptions.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Assessing the collectability of customer receivables requires management judgment. The Company determines its allowance for doubtful accounts by specifically

**PRESOTEA (USA) CO., LTD.**

Notes to Financial Statements  
December 31, 2022 and 2021

analyzing individual accounts receivable, historical bad debts, customer concentrations, customer creditworthiness, current economic and accounts receivable aging trends, and changes in customer payment terms. Valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectability of accounts receivable becomes available. Provisions are recorded in general and administrative expenses.

Revenue Recognition

The Company recognizes revenue in accordance with ASC No. 606 “Revenue from Contracts with Customers”. As such, the Company identifies a contract with a customer, identifies the performance obligation in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

Master franchise grants a conditional license to use and to franchise others to use the Company’s operating system and marks in operations of stores within the geographic franchised area. Master franchise fee includes fees billed on installments and area franchise fee. Installment revenue is recognized over the period of agreement. Area franchise fee is to grant the right to open franchised stores, usually with minimum number but not limited total number of franchise shop set in the agreement, in future periods in specific geographic areas. Area franchise fee is billed based on the number of stores open. The Company recognizes related revenue according to the number of stores opened based on the term of the agreement.

Royalty fees are billed based on a percentage of franchise store sales revenue and are recognized monthly basis.

Income Taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes and accounts for its income taxes using an asset and liability approach for financial reporting of income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities and net operating loss and tax credit carryforwards. Deferred tax assets are reduced by valuation allowance to the amounts expected to be realized.

The Company files a U.S. federal income tax return, as well as state and local income tax returns where required to do so. The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all jurisdictions (federal, state and local) where it is required to file income tax

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

returns. This analysis has been applied to all open tax year in each of those jurisdictions.

The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the statement of operations.

Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, other payable – related party, deferred revenue, and accrued expenses approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2022 and 2021.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company. The Company has cash account held in bank for which the balance is not insured by FDIC as of December 31, 2022 and 2021 both amounted to approximately \$0.

Recent Accounting Pronouncements

Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which introduces new guidance for the accounting for credit losses on financial instruments within its scope and modifies the impairment model for available-for-sale debt securities. In addition, credit losses on available-for-sale debt securities will be limited to the difference between the security's amortized cost basis and its fair value. For all entities other than public business entities, the guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is evaluating the impact of adopting this guidance.

**PRESOTEA (USA) CO., LTD.**

Notes to Financial Statements

December 31, 2022 and 2021

Subsequent Events

The Company has evaluated events and transactions for subsequent events through February 15, 2023, the date on which these financial statements were available to be issued.

**Note 3 - Accounts Receivable**

As of December 31, 2022 and 2021, accounts receivable balance were as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 3,471	\$ 115,306
Less: allowance for doubtful accounts	-	(115,306)
	<u>\$ 3,471</u>	<u>-</u>

**Note 4 - Revenue**

A summary of revenue for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Master franchise - area franchise	\$ 120,000	\$ 70,000
Master franchise - instalments	5,833	217,916
Royalty	75,759	62,155
Revenue discount	(10,833)	(173,194)
	<u>\$ 190,759</u>	<u>\$ 176,877</u>

Contract assets include amounts related to the Company's contractual right to consideration for completed performance obligations not yet invoiced. Contract liabilities include payments received in advance of performance under the contract and are realized when the associated revenue is recognized under the contract. As of December 31, 2022 and 2021, the Company had nil of contract assets, and \$0 and \$7,000, respectively, of contract liabilities which were recorded as deferred revenue.

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2022 and 2021

**Note 5 - Income Taxes**

Income tax expense for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Current:		
Federal	\$ -	\$ -
State	825	825
	<u>825</u>	<u>825</u>
Deferred:		
Federal	-	44,322
State	-	-
	<u>-</u>	<u>44,322</u>
Income tax expense	<u>\$ 825</u>	<u>\$ 45,147</u>

Deferred income tax assets on December 31, 2022 and 2021 are as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Deferred income tax assets		
Net operating loss carryforwards	\$ 93,411	\$ 36,631
Allowance for doubtful accounts	-	29,553
Accrued expenses	2,179	3,588
State taxes	173	173
Deferred income tax assets valuation allowance	<u>(95,763)</u>	<u>(69,945)</u>
Deferred income tax assets, net	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2022 and 2021, the Company's available net operating loss carrying forward to federal income tax purpose were \$267,330, and \$82,356, respectively. The loss can be carried forward indefinitely.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred income tax assets. A significant piece of objective negative evidence evaluated was the cumulative deficit over the three-year period ended December 31, 2022. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2022 and 2021, a full valuation allowance of \$95,763 and \$69,945, respectively, has been recorded to recognize the deferred income tax asset that is more likely than not to be realized. The amount of the deferred income tax asset considered realizable, however, could be adjusted if

**PRESOTEA (USA) CO., LTD.**

Notes to Financial Statements  
December 31, 2022 and 2021

estimates of future taxable income during the carryforward period is reduced or increased or if objective negative evidence in the form of cumulative deficit is no longer present and additional weight is given to subjective evidence such as our projections for growth.

**Note 6 - Related Party Transactions**

A. Name of related party and relationship

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Presotea Co., Ltd.	Parent Company

The Company has extensive transactions with its parent company. It is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

B. Significant Related Party Transactions

a. For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Franchise costs	\$ 11,500	\$ 11,472
Royalty costs	7,576	6,215
Management fee	59,549	95,235
Total	<u>\$ 78,625</u>	<u>\$ 112,922</u>

b. As of December 31, 2022 and 2021

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Other payables	<u>\$ 127,538</u>	<u>\$ 144,109</u>



**PRESOTEA (USA) CO., LTD.**

Notes to Financial Statements  
December 31, 2022 and 2021

**Note 7 - Major Customer**

The Company has two major customers, each of which represents 10% or more of the Company's revenue for the years ended December 31, 2022 and 2021. Revenue from and accounts receivable from these customers for the years ended and as of December 31, 2022 and 2021, are as follows:

A. As of and for the year ended December 31, 2022:

<u>Customer</u>	<u>Revenue</u>	<u>Accounts Receivable</u>
A	\$ 69,961	\$ 2,038
B	<u>120,798</u>	<u>1,433</u>
Total	<u>\$ 190,759</u>	<u>\$ 3,471</u>

B. As of and for the year ended December 31, 2021:

<u>Customer</u>	<u>Revenue</u>	<u>Accounts Receivable</u>
B	\$ 113,584	\$ -
C	<u>62,122</u>	<u>115,306</u>
Total	<u>\$ 175,706</u>	<u>\$ 115,306</u>

February 28, 2022

**Mr. Sam Kuo**  
**PRESOTEA (USA) CO., LTD.**  
No. 3, Fuxing St., Tucheng Dist.  
New Taipei City 236, Taiwan (R.O.C.)

Dear Mr. Kuo:

We are enclosing three copies of the audited financial statements of **PRESOTEA (USA) CO., LTD.** as of and for the year ended December 31, 2021. Please feel free to call us if you should have any questions.

Very truly yours,

Enclosure -  
as stated

**PRESOTEA (USA) CO., LTD.**  
Independent Auditors' Report  
and Financial Statements  
December 31, 2021 and 2020

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## TABLE OF CONTENTS

<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements</b>	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Stockholder's Equity	5
Statements of Cash Flows	6
<b>Notes to Financial Statements</b>	7-13

**JTC ACCOUNTANCY CORP**  
CERTIFIED PUBLIC ACCOUNTANTS  
4989 Santa Anita Avenue, Temple City, CA 91780  
Tel: (626) 279-1289 Fax: (626) 279-1878

**Independent Auditors' Report**

Board of Director and Stockholder  
**Presotea (USA) Co., Ltd.**

**Opinion**

We have audited the accompanying financial statements of **Presotea (USA) Co., Ltd.** (a State of Delaware corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of **Presotea (USA) Co., Ltd** as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Presotea (USA) Co., Ltd.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Presotea (USA) Co., Ltd.**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Presotea (USA) Co., Ltd.**'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Presotea (USA) Co., Ltd.**'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*JTC Accountancy Corp.*

Temple City, California  
February 25, 2022

**PRESOTEA (USA) CO., LTD.**  
 Balance Sheets  
 December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 203,184	207,524
Accounts receivable	-	232,000
Prepaid expenses	7,000	7,000
Total Current Assets	<u>210,184</u>	<u>446,524</u>
Deferred income tax assets, net	-	44,322
Total Assets	<u>\$ 210,184</u>	<u>490,846</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
Current Liabilities		
Other payable - related party	\$ 144,109	329,316
Deferred revenue	7,000	137,417
Accrued expenses	54,000	12,500
Total Current Liabilities	<u>205,109</u>	<u>479,233</u>
Total Liabilities	<u>205,109</u>	<u>479,233</u>
Commitments		
Stockholder's Equity		
Common stock, no par value; authorized 1,000 shares issued and outstanding 1,000 shares	400,000	200,000
Accumulated deficit	<u>(394,925)</u>	<u>(188,387)</u>
Total Stockholder's Equity	<u>5,075</u>	<u>11,613</u>
Total Liabilities and Stockholder's Equity	<u>\$ 210,184</u>	<u>490,846</u>

The accompanying notes are an integral  
 part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
Statements of Operations  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue	\$ 176,877	312,011
Cost of Revenue	<u>17,687</u>	<u>31,201</u>
Gross Profit	159,190	280,810
Operating Expenses	<u>320,581</u>	<u>235,385</u>
Income (Loss) from Operations	<u>(161,391)</u>	45,425
Income (Loss) Before Income Taxes	(161,391)	45,425
Income Tax Expense	<u>(45,147)</u>	<u>(9,524)</u>
Net Income (Loss)	<u>\$ (206,538)</u>	<u>35,901</u>

The accompanying notes are an integral  
part of these financial statements.



**PRESOTEA (USA) CO., LTD.**  
 Statements of Changes in Stockholder's Equity  
 For the Years Ended December 31, 2021 and 2020

	Common Stock		Accumulated Deficit	Total Equity
	Shares Issued	Amount		
Balance, January 1, 2020	1,000	\$ 200,000	\$ (224,288)	\$ (24,288)
Net income			35,901	35,901
Balance at January 1, 2021	1,000	200,000	(188,387)	11,613
Capital injection		200,000		200,000
Net loss	-	-	(206,538)	(206,538)
Balance at December 31, 2021	1,000	\$ 400,000	\$ (394,925)	\$ 5,075

The accompanying notes are an integral  
 part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
 Statements of Cash Flows  
 For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ (206,538)	35,901
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Deferred income taxes	44,322	8,699
Changes in operating assets and liabilities:		
Accounts receivable	232,000	(232,000)
Prepaid expenses	-	(7,000)
Other payable - related party	(185,207)	111,745
Deferred revenue	(130,417)	137,417
Accrued expenses	41,500	(6,400)
Customer deposits	-	(106,000)
Net Cash Used for Operating Activities	(204,340)	(57,638)
<b>Cash Flows from Financing Activity</b>		
Capital injection	200,000	0
Net Cash Provided by Financing Activity	200,000	0
Net Decrease in Cash and Cash Equivalents	(4,340)	(57,638)
Cash and Cash Equivalents, Beginning of Year	207,524	265,162
Cash and Cash Equivalents, End of Year	203,184	207,524
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for:		
Income taxes	\$ 825	825

The accompanying notes are an integral  
part of these financial statements

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements  
December 31, 2021 and 2020

**Note 1 - Organization and Business**

Presotea (USA) Co., Ltd. (the "Company") was established as a corporation in the State of Delaware on August 24, 2018. It is a wholly owned subsidiary of Presotea Co., Ltd., a Taiwan incorporated company. The Company is in the business of franchises of PRESOTEA, a branding of consumer tea beverage products. The Company sublicenses from Presotea Co., Ltd., of the PRESOTEA brand, its franchise and operating system in the United States.

As of December 31, 2021, the Company had total capital of \$5,075. To the extent necessary, the Company's parent company, Presotea Co., Ltd., provides financial support to the Company to ensure that it is able to meet its obligations and carry on its business without significant curtailment of operations.

**Note 2 - Summary of Significant Accounting Policies**

**Revenue Recognition**

The Company recognizes revenue in accordance with ASC No. 606 "Revenue from Contracts with Customers". As such, the Company identifies a contract with a customer, identifies the performance obligation in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

Master franchise grants a conditional license to use and to franchise others to use the Company's operating system and marks in operations of stores within the geographic franchised area. The non-recurring and non-refundable franchise fee is billed based on the schedule of executed franchise agreement, and revenue is recognized over the period of agreement.

Area franchise fee is to grant the right to open franchised stores, usually with minimum number but not limited total number of franchise shop set in the agreement, in future periods in specific geographic areas. Area franchise fee is billed based on the number of stores open. The Company recognizes related revenue according to the number of stores opened based on the term of the agreement. The pre-opening services provided to franchisees contain separate and distinct performance obligations from the term of the franchise agreement; thus, the revenue will be recognized when a separate performance obligation is satisfied. Franchise renewal fees for future license renewal periods are amortized

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements - Continued  
December 31, 2021 and 2020

**Note 2 - Summary of Significant Accounting Policies - Continued**

Revenue Recognition-Continued

over the life of the renewal period. Royalty fees are billed based on a percentage of franchise store sales revenue and are recognized on a monthly basis. Brand fund fees are billed annually based on a percentage of franchise store sales revenue and are recognized on a monthly basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompany notes. Actual results may differ from those estimates and assumptions.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Assessing the collectability of customer receivables requires management judgment. The Company determines its allowance for doubtful accounts by specifically analyzing individual accounts receivable, historical bad debts, customer concentrations, customer creditworthiness, current economic and accounts receivable aging trends, and changes in customer payment terms. Valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectability of accounts receivable becomes available. Provisions are recorded in general and administrative expenses.

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements - Continued  
December 31, 2021 and 2020

**Note 2 - Summary of Significant Accounting Policies – Continued**

Income Taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes and accounts for its income taxes using an asset and liability approach for financial reporting of income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities and net operating loss and tax credit carryforwards. Deferred tax assets are reduced by valuation allowance to the amounts expected to be realized.

The Company files a U.S. federal income tax return, as well as state and local income tax returns where required to do so. The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all jurisdictions (federal, state and local) where it is required to file income tax returns. This analysis has been applied to all open tax year in each of those jurisdictions.

The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the statement of operations.

Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, other payable – related party, deferred revenue, and accrued expenses approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2021 and 2020.

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements - Continued  
December 31, 2021 and 2020

**Note 2 - Summary of Significant Accounting Policies – Continued**

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company. The Company has cash account held in bank for which the balance is not insured by FDIC as of December 31, 2021 and 2020 both amounted to approximately \$0.

Subsequent Events

The Company has evaluated events and transactions for subsequent events through February 25, 2022, the date on which these financial statements were available to be issued.

**Note 3 - Accounts Receivable**

As of December 31, 2021 and 2020, accounts receivable balance are as follows:

	December 31,	
	2021	2020
Accounts receivable	\$ 115,306	\$ 232,000
Less: allowance for doubtful accounts	(115,306)	-
Total Accounts Receivable, net	-	232,000

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements - Continued  
December 31, 2021 and 2020

**Note 4 - Income Taxes**

Income tax expense for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Current:		
Federal	\$ -	\$ -
State	<u>825</u>	<u>825</u>
	<u>825</u>	<u>825</u>
Deferred:		
Federal	44,322	8,699
State	<u>-</u>	<u>-</u>
	<u>44,322</u>	<u>8,699</u>
Income tax expense	<u>\$ 45,147</u>	<u>\$ 9,524</u>

Deferred tax assets on December 31, 2021 and 2020 are as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Deferred tax assets		
Net operating loss carryforwards	\$ 36,631	\$ 41,697
Allowance for doubtful accounts	29,553	-
Accrued expenses	3,588	2,625
State taxes	173	-
Deferred tax assets valuation allowance	<u>(69,945)</u>	<u>-</u>
Net deferred tax assets, net	<u>\$ -</u>	<u>\$ 44,322</u>

**PRESOTEA (USA) CO., LTD.**  
Notes to Financial Statements - Continued  
December 31, 2021 and 2020

**Note 4 - Income Taxes-Continued**

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative deficit over the three-year period ended December 31, 2021. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2021, a full valuation allowance of \$69,945 has been recorded to recognize the deferred tax asset that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period is reduced or increased or if objective negative evidence in the form of cumulative deficit is no longer present and additional weight is given to subjective evidence such as our projections for growth.

**Note 5 - Related Party Transactions**

A. Name of related party and relationship

Name of Related Party	Relationship with the Company
Presotea Co., Ltd.	Parent Company

The Company has extensive transactions with its parent company. It is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

B. Significant Related Party Transactions

a. For the years ended December 31, 2021 and 2020

	2021	2020
Franchise costs	\$ 11,472	\$ 30,458
Royalty costs	6,215	743
Management fee	95,235	129,286
Total	\$ 112,922	\$ 160,487



b. As of December 31, 2021 and 2020

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Other payable	\$ 144,109	\$ 329,316

**Note 6 - Major Customer**

The Company has two major customers, each of which represents 10% or more of the Company's revenue for the years ended December 31, 2021 and 2020. Revenue from and accounts receivable from these customers for the years ended and as of December 31, 2021 and 2020, are as follows:

A. For the year ended and as of December 31, 2021:

<u>Customer</u>	<u>Revenue</u>	<u>Accounts Receivable</u>
A	\$ 113,584	\$ -
B	62,122	115,306
Total	<u>\$ 175,706</u>	<u>\$ 115,306</u>

B. For the year ended and as of December 31, 2020:

<u>Customer</u>	<u>Revenue</u>	<u>Accounts Receivable</u>
B	<u>\$ 302,468</u>	<u>\$ 232,000</u>

**Note 7 - Contingency and Commitment**

On September 24, 2021, the Company engaged Taiwan KPMG Law Firm to issue a breach of contract termination letter to the Company's major customer (B) for termination of the customer's franchise agency in the eight states of the United States, which is in accordance with the terms of the aforementioned eight-state franchise agreement signed by both parties. According to the replied attorney letter, there is no contingency with the legality of the Company's right to terminate the contract.

## TABLE OF CONTENTS

<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Stockholder's Equity (Capital Deficiency)	5
Statements of Cash Flows	6
<b>Notes to Financial Statements</b>	7-11

**FRANCHISE DISCLOSURE DOCUMENT'**

**ATTACHMENT B**

**MASTER FRANCHISE AGREEMENT**

**PRESOTEA**



**Master Franchise Agreement**

# MASTER FRANCHISE AGREEMENT

Master Franchise Agreement No.: \_\_\_\_\_

DATED: \_\_\_\_\_ (“Effective Date”)

The Parties to this Master Franchise Agreement are:

**Franchisor: Presotea (USA ) Co., Ltd. and**

**Master Franchisee**

**Business Address:** \_\_\_\_\_

**Business Phone/Fax:** \_\_\_\_\_

**Business E-Mail:** \_\_\_\_\_

**Principal of Master Franchisee  
(MUST MAINTAIN AT LEAST 51% OWNERSHIP):**

**Names:** \_\_\_\_\_

**Home** \_\_\_\_\_

**Address** \_\_\_\_\_

**Telephone** \_\_\_\_\_

**E-Mail** \_\_\_\_\_

Fax

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# MASTER FRANCHISE AGREEMENT

## CONTENTS

SECTION #	SECTION TITLE
1	Grant of Master Franchise
2	Franchised Area- Franchise Disclosure/Registration Laws
3	Consideration
4	Term and Renewal of Master Franchise
5	Marks and Names
6	Services of Franchisor
7	Duties of Master Franchisee
8	Gross Revenues
9	Relationship of the Parties
10	Transfer to Master Franchisee Corporation or Death of Master Franchisee
11	Transfer Requirements
12	Termination
13	Duties Upon Termination
14	Complete Agreement
15	Choice of Law and Arbitration
16	Notices
17	Waiver and Delay
18	Right To Cure Defaults
19	Abandonment or Surrender by Master Franchisee and Assignment to Franchisor
20	Currency of the Master Franchise Agreement
21	Construction of Agreement and Headings
22	Acknowledgement and Signing
Exhibit "A"	Marks and Names
Exhibit "B"	Franchised Area
Exhibit "C"	Fees and Currency Exchange Rate
Exhibit "D"	Required Development
Exhibit "E"	Acknowledgement of Master Franchisee Relationship and Consent to Assignment
Exhibit "F"	Training Agreement
Exhibit "G"	Service Agreement
Exhibit "H"	Supply Agreement

- Exhibit "I" Confidentiality Agreement
- Exhibit "J" Required Kitchen Equipment
- Exhibit "K" Opening Inventory and Supplies, Branded Items
- Exhibit "L" Lease Conditional Assignment Agreement
- Exhibit "M" Assignment of Telephone Numbers
- Exhibit "N" Personal Guarantee
- Exhibit "O" Electronic Funds Transfer Authorization

## PRESOTEA (USA) CO., LTD.

### MASTER FRANCHISE AGREEMENT

THIS AGREEMENT is entered into between PRESOTEA (USA) CO., LTD. whose principal office is located at \_\_\_\_\_ ("Franchisor", "we", "us") and \_\_\_\_\_ a \_\_\_\_\_ organized under the laws of the State of \_\_\_\_\_ ("Master Franchisee", "you"), and whose principal office is located at \_\_\_\_\_.

#### WITNESSETH:

WHEREAS, Franchisor and its affiliates have originated and developed a proprietary operating system of business methods, proprietary products, specialized services, brand concepts, proprietary recipes, information on sources of supply, employee uniforms, and training techniques for operating a Presotea Shop ("Presotea Shop") which includes the distinctive decor of the business premises, the utilization and distribution of equipment and furnishings on the business premises, merchandise displays, service methods, advertising formats, promotion plans, market research methods, record keeping methods and business practices, trade secrets, processes, procedures and policies ("System"); and

WHEREAS, Franchisor has an unlimited, royalty free license to and has the right to all of its service marks, trademarks, copyrights, certification marks, designs, slogans, names, symbols, etc. described in Exhibit "A" herein and hereafter referred to as "Mark" that it has developed or designed for use in connection with the System; and



WHEREAS, Franchisor and/or its affiliates now franchises products and services through its Presotea Shops under the name **Presotea** and intends to continue to franchise other such products, services and Presotea Shops; and

WHEREAS, Master Franchisee desires to acquire the exclusive license (Master Franchise) to adopt and use the Franchisor's System and Marks in connection with franchising Presotea Shops in the geographic area set forth in Exhibit "B" hereof ("Franchised Area"), and Franchisor is willing to grant an exclusive license agreement for these purposes under the terms and conditions stated herein.

NOW THEREFORE, for valuable consideration as herein stated, the parties hereto do covenant and agree as follows:

### **Section 1: GRANT OF MASTER FRANCHISE**

Franchisor hereby grants to Master Franchisee and Master Franchisee hereby accepts the following rights, licenses and privileges with respect to the Franchised Area subject to the terms and conditions herein contained, commencing on the Effective Date as defined in Section 4 of this Agreement:

To adopt, and use Franchisor's System, Franchisor's Marks and Franchisor's trade names as indicated in Exhibit "A" and in connection therewith, to indicate to the public that Master Franchisee's business (Master Franchise) is operated as a part of this System, under Master Franchise license from Franchisor in connection with franchising Presotea Shops within the Franchised Area listed in Exhibit "B" herein, in strict compliance with terms hereof. Master Franchisee is not permitted by this Master Franchise Agreement to own and open its own Presotea Shops, which must be accomplished by way of a separate franchise agreement.

The master franchise ("Master Franchise") granted herein is a conditional license to use and to franchise others to use the System and Marks in franchising the number of Presotea Shops listed in Required Development Exhibit "D" herein, within the geographic Franchised Area listed in Exhibit "B" herein, in strict compliance with terms hereof.

The Master Franchisee is hereby permitted to also sell area representation franchises, whereby the Master Franchisee offers the right to third parties (the "Area Representative") to recruit

prospective franchisees for the Master Franchisee, and/or to provide specified support services to franchisees, for any negotiated split of fees between the Master Franchisee and the Area Representative, provided that the Master Franchisee shall have its own Area Representative franchise disclosure document prepared at its sole cost, and if necessary registered in any state requiring franchise registration.

Nothing herein contained shall be construed so as to authorize or permit the use of the System or Marks outside the Franchised Area by Master Franchisee or by its franchisees. Further, the Marks and System can be used only for the purposes specified in this Agreement, it being expressly agreed that the ownership of all right, title and interest in the System and Marks is and shall remain vested solely in Franchisor.

In the event the Master Franchisee has already executed the Service Agreement, as attached hereto as Exhibit "G", Supply Agreement, as attached hereto as Exhibit "H", and Training Agreement, as attached hereto as Exhibit "F", with entity(ies) designated by the Franchisor, the Master Franchisee shall not be required to execute the foregoing agreements again in its capacity as a Master Franchisee of the Franchisor under this Agreement.

## **Section 2: FRANCHISED AREA**

Franchisor hereby grants Master Franchisee and Master Franchisee hereby accepts an exclusive franchise and license to franchise Presotea Shops in the Master Franchised Area described in Exhibit "B" herein.

### **FRANCHISE DISCLOSURE-REGISTRATION LAW:**

**PRIOR TO SELLING FRANCHISES, MASTER FRANCHISEE MUST COMPLY WITH BOTH THE FEDERAL FRANCHISE LAWS CONCERNING AN APPROPRIATE FRANCHISE DISCLOSURE DOCUMENT, AS WELL AS THE FRANCHISE REGISTRATION LAWS TO SELL FRANCHISES IN WISCONSIN.**

**MASTER FRANCHISEE UNDERSTANDS AND AGREES IT MAY NOT AND WILL NOT ATTEMPT TO SELL ANY UNREGISTERED PRESOTEA FRANCHISE OR OTHERWISE VIOLATE APPLICABLE DISCLOSURE, REGISTRATION AND FRANCHISE FILING LAWS.**

## **Section 3: CONSIDERATION**

- A. Store Opening Fee: Master Franchisee shall pay to Franchisor a Store Opening Fee for each franchised Presotea Store opened in the amount specified in Exhibit "C" herein ("Store Opening Fee").
- B. Royalties: As additional consideration, Master Franchisee shall pay Franchisor a royalty in the amount specified in Exhibit "C" herein.
- C. Brand Fund Fee: Master Franchisee shall pay to Franchisor a brand fund fee in the amount specified in Exhibit "C" herein ("Brand Fund Fee"), once the Brand Fund Fee is implemented.
- D. Withholding Tax: All fees are in US Dollars, and if subject to any withholdings from the country of origin, Master Franchisee will comply with all government and taxing withholding requirements and provide Franchisor proof of withholding and paying the tax documentation, and be responsible for any withholding or tax requirements by the country or origin on the monies paid to Franchisor.

#### **Section 4: TERM AND RENEWAL OF MASTER FRANCHISE**

- A. **Term.** The term of this Agreement shall commence on the date of execution by Franchisor ("Effective Date") as indicated in Section 22 herein, and shall continue for six (6) years from the Effective Date. Master Franchisee shall have the option to renew the term of this Master Franchise beyond the initial term as hereinafter set forth. Such right of renewal by Master Franchisee shall be conditioned upon Master Franchisee being in compliance with all terms of this Agreement. Franchisor will not approve a renewal of this Agreement if Master Franchisee is in default of this Agreement such as would justify the termination of this Agreement by Franchisor under the provisions for termination hereinafter provided. Master Franchisee shall give Franchisor written notice, not less than twelve (12) months prior to the expiration of this Agreement, of its election to either renew this Agreement (subject to the above condition) or not to renew this Agreement upon expiration of the term. All of the terms and conditions of this Agreement shall remain in full force and effect during any such renewals.
- B. **Renewal.** Master Franchisee will be permitted to renew this Agreement for an additional 6-year term, only upon the following terms and conditions:
  - 1. Master Franchisee must be current in payment of all fees and charges to Franchisor and any of its related companies and must not have made more than two late payments

within the last three years for which Franchisor gave written notice(s) of breach, which notice(s) were not withdrawn by Franchisor;

2. Master Franchisee must not be in material breach of this Agreement or of any other agreement between Franchisor and Master Franchisee and must have substantially complied with the operating standards and other criteria contained in the operations manual or otherwise communicated in writing by Franchisor;
3. Master Franchisee shall pay a renewal fee of **50% the current Master Franchise Fee**, for the Territory, if there is one, or otherwise on terms agreed to between Franchisor and Master Franchisee, payable in full within 15 days of execution of the new master franchise agreement referred to below (subject to state law);
4. Master Franchisee shall execute the then current form of master franchise agreement, which may differ in material ways that are not reasonably foreseeable at this time, but may include material differences in territorial boundaries and economic terms, including the amount of royalties or entirely new categories of fees or mandatory expense;
5. Master Franchisee must have sold and opened the required number of franchised Presotea Shops by the renewal date;
6. Master Franchisee, franchisees' Presotea Shops must have been remodeled or refurbished and otherwise modernized and renovated, specifically, the Presotea Shops signs and equipment to be consistent with the then current image of the System and to meet Franchisor's then current specifications, at either the franchisee's expense or Master franchisee's expense;
7. Master Franchisee shall give written notice to Franchisor at least twelve months prior to the end of the term of this Agreement of Master Franchisee's desire to renew;
8. Master Franchisee must not, during the preceding term, have engaged in any business dealings in relation with its franchisees' Presotea Shops or the Master Franchisee Business which are unethical, dishonest or otherwise could cause harm to the Marks, Franchisor, any other franchisees, the goodwill associated with the Marks, or to any customer, client or vendor of Master Franchisee, Franchisor or of another franchisee;
9. Master Franchisee's franchised Presotea Shops shall not have had any material health and safety violations during the prior 12 months, nor any material violations of this Agreement, although cured; and

10. Master Franchisee must execute a general release.

### Section 5: MARKS AND NAMES

- A. Master Franchisee acknowledges and recognizes the exclusive right of the Franchisor to grant this Master Franchise, to grant similar master franchises in territories other than the Franchised Area, and also the exclusive right of Franchisor to all Marks now or hereafter displayed or used as part of the System and the exclusive right of Franchisor to use and grant the right to others to use the said Marks or any other Marks of Franchisor (not in Exhibit "A") for any purpose whatsoever.
- B. Master Franchisee acknowledges that Franchisor may, during the term of the Agreement, modify, add to or make deletions from the Mark(s), as licensed herein, and Master Franchisee agrees to adopt and use the modified or new Mark(s), or to cease using the old Marks, as advised by Franchisor, and to ensure its franchisees do the same.
- C. Master Franchisee is granted the right, during the period when this Agreement is in force, to use the Marks of Franchisor as specified in Exhibit "A" herein within the Franchised Area. Such license to use these Marks shall be limited to business activity, which specifically pertains to the System and its operation. Master Franchisee acknowledges and agrees that the right to use the Marks is by this license from Franchisor and that all use of the said Marks inures solely to the benefit of Franchisor and, further, (except as stated herein) agrees not to attempt to assign or transfer any interest in any of the Marks of Franchisor which are now or hereafter created, owned or controlled by Franchisor.
- D. In connection with the foregoing, Master Franchisee agrees during the term of this Agreement or thereafter:
  - 1. That it will not, except as provided herein, directly or indirectly, adopt or use any of the Marks of Franchisor or any term or translation meaning the same thing as any of the Marks of Franchisor, or use any item that may be confusingly similar to the Marks of the Franchisor.
  - 2. That it will not, without Franchisor's consent register or attempt to register any of the Franchisor's Marks in any country or territory as a property or intangible right of any kind or nature.

3. That it will not directly or indirectly assist, or knowingly permit or allow any person, firm, entity or corporation, including Master Franchisee's affiliates or subsidiaries or agents, employees or shareholders of the affiliate and subsidiaries to do any of the foregoing
  4. That it will not directly or indirectly contest or aid in contesting the exclusive use, ownership, or rights of the Franchisor in the Marks.
- E. Master Franchisee agrees that its franchised Presotea Shops shall use the trade name as indicated in Exhibit "A", and will bear signs, advertising and slogans, which denote that its franchisees' Presotea Shop are, named such trade name. No derivative thereof, or any similar name, or any name containing any trade name or part of the trade name may be contained in its corporate name, and Master Franchisee shall not permit any trade name to be contained in its franchisee's corporate names. Upon the expiration or termination of this Agreement, Franchisor may, if Master Franchisee does not do so, execute in Master Franchisee's name and on Master Franchisee's behalf any and all documents necessary to cause the discontinuance of Master Franchisee's use of the trade name or any of Franchisor's Marks, names, or any derivative thereof. Franchisor is hereby irrevocably appointed and designated, as Master Franchisee's attorney-in-fact to do so.
- F. If a third party sues you or threatens to sue you, claiming that you are infringing the trademark or trade name of the third party by using the Mark, you must inform us immediately. We will determine whether or not to defend and indemnify you in this lawsuit, and if we do, we have the right to control the litigation including any settlements, which we will indemnify you for. However, we will not agree to any judgment against you. It may become necessary in our sole discretion, because of trademark litigation, a decision of the USPTO, or otherwise, to change the Mark. In that event, you and your franchisees must adopt the new or revised Marks at your cost, unless the change is as a result of a trademark infringement judgment for our use and your use, and in such case, and our maximum liability, is to reimburse you for your actual out-of-pocket costs of changing the principal signs identifying your franchisees Presotea Shops.

## **Section 6: SERVICES OF FRANCHISOR**

- A. **DISCLOSURE OF PROCEDURES.** Franchisor will disclose to Master Franchisee its standard operating procedures and in connection therewith, will furnish a copy of its training manuals, its standard forms, designs, equipment layouts, leasehold improvement guidelines, interior

décor and layout guidelines, and operating methods. All improvements made by Franchisor in its System will be made available to Master Franchisee.

- B. SOURCING LOCAL INGREDIENTS.** Master Franchisee will be responsible for sourcing local ingredients from entity(ies) designated by the Franchisor, and when products need to be obtained from USA, Master Franchisee must obtain Franchisor's prior approval as practical.
- C. TRAINING.** The initial training is provided to Master Franchisee ("Initial Training Program") is United States Dollars ("U.S.") \$20,000, for at least the first 3 people trained at the same time, (additional people may be trained together but Master Franchisee must pay all expenses of all trainees), and will be approximately 120 hours (15 consecutive business days in Taiwan). The Initial Training Program will be conducted in Taiwan, by entity(ies) designated by the Franchisor, or in the future at other locations including another Master Franchisee locations, or any other designated location. Master Franchisee will enter into a Training Agreement as attached hereto as Exhibit "F". Master Franchisee's trainees will be required to execute a confidentiality agreement, before attending training, as part of their employment. Master Franchisee shall be responsible for all salaries, compensation, benefits, and living and travel expenses of trainees. Franchisor reserves to itself the exclusive right to determine whether Master Franchisee and other trainees have satisfactorily passed the training program, and if a trainee does not pass, such persons(s) will be required to attend re-training for an additional fee, until any such trainee, successfully passes. At all times Master Franchisee shall be responsible for all other training of all its franchisees, Area Representatives, and its employees, other than those required to complete the Initial Training Program. Franchisor may require, and Master Franchisee may request subsequent additional training at a time and location determined at Franchisor's sole discretion. Such additional training will be provided by entity(ies) designated by the Franchisor pursuant to the Training Agreement (attached hereto as Exhibit "F") and/or a Service Agreement (attached hereto as Exhibit "G") for a fee of U.S.\$200 per day per trainee plus related expenses incurred by the trainer, if any, including traveling and accommodation costs. Master Franchisee shall be solely responsible for all salaries, compensation, benefits, and living and travel expenses of trainees. If Franchisor requires the Master Franchisee to undergo additional training, such training may not be refused by Master Franchisee.

In the event the Master Franchisee has already signed, performed and made full payment under the Training Agreement, the Master Franchisee shall not be required to sign, perform and pay under the Training Agreement again in its capacity as a Master Franchisee of the Franchisor under this Agreement. Notwithstanding the above, where Franchisor subcontracts training to a third party under a subcontracting agreement, the terms of the subcontracting agreement shall apply in lieu of the above paragraphs.

**D. SUPPLIES, INVENTORY, FIXTURES AND EQUIPMENT.** Franchisor shall designate vendors and suppliers, and Master Franchisee shall purchase from entity(ies) designated by the Franchisor, all inventory, supplies, materials, fixtures and branded items as necessary for its franchised Presotea Shops, and may resell such items to its franchisees at prices it determines. Master Franchisee shall also purchase from designated approved suppliers, pursuant to a Supply Agreement, attached hereto as Exhibit "H", as necessary for its franchisees' operation of their Presotea Shops. MASTER FRANCHISEE IS REQUIRED TO PAY TO ENTITY(IES) MENTIONED IN SUCH SUPPLY AGREEMENT THE FOLLOWING AMOUNTS BEFORE MASTER FRANCHISEE'S FRANCHISEES OPEN A PRESOTEA SHOP: U.S.\$55,000 FOR REQUIRED EQUIPMENT; U.S.\$18,000 FOR REQUIRED BRANDING ITEMS, AND U.S.\$50,000 FOR OPENING INVENTORY OF SUPPLIES AND FOOD.

**E. ADVERTISING AND SALES PROMOTION/INTERNET.**

1. Franchisor may provide to Master Franchisee examples of all its advertising, public relations and promotional programs it creates or uses. Master Franchisee may adapt such advertising/programs for local use by Master Franchisee and its franchisees. Master Franchisee must obtain Franchisor's prior approval for use of an adapted item. Master Franchisee shall submit to Franchisor all proposed advertising in any medium, (including electronic medium) for prior approval. Master Franchisee must spend at least 5% Gross Revenues in local advertising/marketing for the sale of unit Presotea Shops, and provide proof of expenditures to Franchisor upon request.

2. Upon obtaining Franchisor's prior approval, Master Franchisee may create a **Presotea** website utilizing the Franchised Area specific URL designation. The creation and maintenance of Master Franchisee's **Presotea** website shall be at Master Franchisee or its franchisee's sole cost. Should Master Franchisee or its franchisees seek to register a local domain name containing the words "**Presotea**" it must first seek Franchisor's approval, then upon approval and registration, it must immediately assign such domain name to Franchisor.

**F. CONFIDENTIAL OPERATIONS MANUAL.** In order to establish and maintain uniform standards of operation, Franchisor has developed confidential operations manuals, of which Franchisor shall provide one copy to Master Franchisee. Franchisor retains the right to prescribe additions, deletions or revisions thereto as it deems reasonable and necessary, and all such additions or revisions shall become binding on Master Franchisee as if originally set forth herein. Master Franchisee shall ensure that its franchisees follow all rules and procedures specified in the Operations Manual in operating a Presotea Shop.



Master Franchisee will receive either one (1) copy of, or electronic access to, the confidential operations manuals upon attendance of the Initial Training Program and promises to keep and maintain these as confidential, except that copies thereof shall be distributed to franchisees pursuant to the terms and conditions of this Agreement. The confidential operations manuals and copies thereof at all times remain the sole property of the Franchisor and upon the expiration or other termination of this Agreement shall be returned forthwith to Franchisor.

**G. PRICING.** If requested by Master Franchisee, Franchisor shall provide Master Franchisee with instruction on the methods for pricing of the products and services provided in its Presotea Shops *in the United States* and Master Franchisee will determine appropriate pricing for selling the **Presotea** products and services in the Franchised Area.

**H. MISCELLANEOUS SERVICES.**

1. Franchisor shall furnish to Master Franchisee additional supervisory, training, advisory and counseling services, described below, as may be necessary:

(a) Master Franchisee may attend or designate any of its employees (English speaking) to attend a regularly scheduled operational training conducted by entity(ies) designated by the Franchisor space permitting. Master Franchisee to pay all travel and room accommodations and the prevailing training fee.

(b) Periodic updates of operating procedures for the Presotea Shops, as is provided to its United States franchisees, including but not limited to: the hiring and management of personnel; maintenance of Presotea Shop premises and equipment; interior and exterior decor; marketing and sales management; product preparation; and customer relations.

(c) On-site consultation by a Franchisor representative, at Master Franchisee's request and at Master Franchisee's expense. Scheduling and duration of such visits shall be at mutually agreeable times and duration.

2. Franchisor may maintain a program of seeking and developing improvement and greater efficiency in the services provided and equipment available to be used in the Presotea Shops, and shall make such information available to Master Franchisee as and when it is developed.

3. Franchisor will maintain the website [www.presotea.com](http://www.presotea.com).

## Section 7: DUTIES OF MASTER FRANCHISEE

A. **PAYMENT TO FRANCHISOR.** In addition to all other payments provided for herein, Master Franchisee shall promptly pay the following to Franchisor:

1. All amounts owed by Master Franchisee under this Agreement which Franchisor has paid or for which Franchisor has become legally obligated to pay on behalf of Master Franchisee.
2. The amounts of all sales, use, VAT, withholding taxes and similar taxes imposed upon Franchisor or required to be collected or paid by Franchisor or entity(ies) designated by the Franchisor, as the case may be, on account of goods or services, furnished to Master Franchisee under this Agreement or under the Service Agreement, Supply Agreement, or Training Agreement, whether such goods or services are furnished by sale, lease or otherwise.
3. During the term of this Agreement, Master Franchisee must meet both of the following minimum performance requirements:
  - (a) Master Franchisee's business shall reach break-even (total sales revenues equals total costs and expenses) in the 3rd year commencing the date of this Agreement; and
  - (b) Master Franchisee's business shall, on an annual basis, have an operating margin (earnings before interest and taxes divided by sales revenue) of 20%, for each of the 4th and 5th year commencing the Effective Date of this Agreement.

If Master Franchisee does not meet one of the above conditions, Franchisor shall have the option to terminate immediately Master Franchisee's exclusivity and to appoint another Master Franchisee in the Franchised Area, and shall also have the option of unilaterally and immediately terminating this Agreement.

## B. MASTER FRANCHISE BUSINESS

1. Master Franchisee will obtain a Warehouse space appropriate to accommodate equipment and supplies purchased for each franchisee it sells, as needed.
2. Master Franchisee shall maintain a Master Franchisee Business Office address, with telephone, fax numbers and a separate e-mail address for communications from Franchisor.

Any changed to this business contact information must be communicated immediately to Franchisor.

3. Master Franchisee shall maintain a fluent English speaking senior manager level contact person, during the term of this Agreement, who must attend the training session outlined in Section 6(C) above, who will communicate with Franchisor through the Master Franchisee Business Office contact information, regarding all aspects of the operations of the Master Franchise. Any change in such contact person shall be communicated immediately to Franchisor.

4. All principals of the Master Franchise shall provide Franchisor with home address, telephone and personal e-mail contact information. Any change in such information must be communicated immediately to Franchisor. Any change of the principals themselves in relation to ownership status of the Master Franchisee, must be communicated immediately to Franchisor. Any name change of the Master Franchisee, or change in status of the corporate form (e.g transfer to a different affiliate) must be immediately communicated to Franchisor.

### **C. BRAND FUND FEE**

1. Once the Brand Fund Fee is implemented, Master Franchisee shall pay to Franchisor an annual Brand Fund Fee (due January 31 of each year), in the amount equal to 5% of Gross Revenues (as defined in Section 8A) of all Master Franchisee's franchisees' Presotea Shops combined for prior year, without setoff. Franchisor may reduce or discontinue the Brand Fund Fee at any time and may, thereafter, reinstate it upon a new thirty (30) day notice. Master Franchisee may charge the same or different percentage to its franchisees.
2. Franchisor may, in Franchisor's sole discretion, upon at least sixty (60) days prior written notice increase the Brand Fund Fee.
3. Franchisor shall maintain all Brand Fund Fees collected, net of any taxes Franchisor is required to pay on account of having collected the Brand Fund Fees, in one or more bank accounts separate from Franchisor's regular account(s). Master Franchisee authorizes Franchisor to commingle Master Franchisee's Brand Fund Fees with those paid by other Master Franchisees in the United States. Franchisor will provide an unaudited annual accounting to Master Franchisee upon request as to the aggregate amount of such Brand Fund Fees collected and their use and application by general category. Master Franchisee

acknowledges and agrees that each such accounting is a trade secret and shall be treated as such according to this Agreement.

4. Franchisor shall use Brand Fund Fees collected, for instituting a Network Marketing Program consisting of website maintenance, advertising, marketing and promotion for the benefit of Franchisor's United States system as a whole, and not toward any geographic area specifically or in proportion to funds received from each Franchised Area. Selection of marketing, advertising and promotion location, scope, content, copy, timing and approach shall be by Franchisor and in Franchisor's sole discretion, including market research, production and administration of the advertising program. Not every element of the marketing and promotion program will directly benefit any specific Master Franchisee or in proportion to their contribution.
5. Franchisor shall have no duty to conduct any particular marketing program and if Franchisor does conduct a program, Franchisor makes no representations or warranties regarding the nature of the marketing to be conducted or about how it will affect Master Franchisee's revenue.
6. Franchisor may use such funds to maintain [www.presotea.com](http://www.presotea.com). Master Franchisee is not permitted to have a separate website, and shall not separately promote Master Franchisee's Presotea Shops through any independent website, or social media, without Franchisor's prior consent. Master Franchisee shall not sell any products or services online or otherwise through any internet or electronic or social media medium, without Franchisor's consent. Master Franchisee may request Franchisor's consent to promote onto social media consistent with Franchisor's social media policy.

#### **D. FRANCHISEE AND AREA REPRESENTATIVE INFORMATION TO BE PROVIDED TO FRANCHISOR.**

1. Within sixty (60) days of opening any franchised Presotea Shop in the Territory and annually thereafter, Master Franchisee shall prepare, in English, and submit for Franchisor's review and approval, an annual business plan and an annual marketing plan for the Master Franchise Business. Master Franchisee shall implement such steps as are necessary to achieve the goals of the business plan and shall implement all phases of the marketing plan in a timely manner. Should it become necessary to deviate from either the business or marketing plans during the year, Master Franchisee shall promptly submit a revised plan for Franchisor's review and approval.

2. When opening a franchised Presotea Shop, Master Franchisee agrees to use its own Franchise Disclosure Document and franchise agreement form which conforms to applicable state and federal franchise laws. Franchisor does not provide templates, or legal services for this process.

3. Master Franchisee shall provide Franchisor signed copies of each franchise agreement and each Area Representative agreement within thirty (30) days of obtaining signatures. Master Franchisee shall also provide to Franchisor in writing, such information as necessary to update its records, including: name(s), Presotea Shop address, telephone numbers, fax numbers, etc., and shall immediately notify Franchisor of any change to such contact information. Master Franchisee shall also promptly provide Franchisor with copies of any correspondence with franchisee of a material nature which may affect Master Franchisee's duties under this Agreement, including but not limited to, notices of delinquency, termination, destruction of the premises, asserted legal claims, etc. Master Franchisee shall immediately notify Franchisor of any closing of a franchised Presotea Shop.

4. Master Franchisee shall require each franchisee to execute a form entitled "Acknowledgement of Master Franchisee Relationship and Consent to Assignment" as attached hereto (Exhibit "E"). Such form shall be included as an Exhibit in each franchise agreement entered into by Master Franchisee.

5. Each franchised Presotea Shop in the Franchised Area must operate under a fully executed individual franchise agreement between the Master Franchisee and the franchisee. Master Franchisee shall designate an assigned protected territory for each franchise agreement, which must be approved in advance by Franchisor. Individually assigned territories shall be indicated by map attached to each franchise agreement and made a permanent part thereof.

**E. DEVELOPMENT OF FRANCHISED AREA.** Master Franchisee agrees to use diligence in recruiting prospective franchisees, in opening new Presotea Shops, and otherwise developing the Franchised Area. Master Franchisee will ensure that the Area Representatives are diligent in assisting the Master Franchisee in franchisee recruitment and support. **MASTER FRANCHISEE SHALL OBTAIN FINAL APPROVAL FROM FRANCHISOR BEFORE ANY PRESOTEA SHOP MAY OPEN FOR BUSINESS.** Failure to comply with the terms of the Required Development will result in one of the following remedies, at Franchisor's sole discretion:

1. Termination of the development rights of the Master Franchisee under this Agreement, and all such rights shall revert to the Franchisor automatically, in which event all Presotea Shops in the Franchised Area shall continue to operate under their individual franchise

agreements and Master Franchisee shall continue to provide on-going services to the franchised Presotea Shops, and shall continue to collect and remit royalties as indicated herein, and shall continue to perform all other obligations as outlined herein, with the exception of developing any new Presotea Shops.

2. Termination of the Master Franchise Agreement.

#### **F. MANAGEMENT ASSISTANCE.**

In the event Master Franchisee requests Franchisor to provide extraordinary management or support services at Master Franchisee's location or in Master Franchisee's Franchised Area, all such requests will be made to and fulfilled by Franchisor or its affiliate, Presotea Taiwan, pursuant to a Service Agreement, attached hereto as Exhibit "G" hereto.

#### **G. REBATES, DISCOUNTS AND ALLOWANCES**

Master Franchisee authorizes Franchisor to collect all available rebates, discounts and allowances from vendors or others with whom Master Franchisee does business, provided that, in Franchisor's reasonable business judgment, it is appropriate to collect them. Franchisor may use such funds in its discretion.

All fees and payments stated in this Agreement are net of any taxes payable. Master Franchisee shall bear the withholding and other tax liability on the Master Franchise Fee, royalties, brand fund contributions and all other payments under this Agreement and under the Service Agreement, Training Agreement, and Supply Agreement.

#### **H. SERVICES TO FRANCHISED PRESOTEA SHOPS TO BE PERFORMED BY Master Franchisee.**

1. **Lease of Premises:** In connection with each new franchise within the Franchised Area, Master Franchisee shall perform the following:

(a) Research and locate a site for each Presotea Shop, subject to Franchisor's approval.

(b) Assist its franchisees in negotiating a site lease for each Presotea Shop. Master Franchisee must ensure that each Franchisee's lease must have a conditional Lease assignment or similar language as indicated in Exhibit L to the Master Franchise Agreement.

(c) Make available the fixtures and furnishings and the installation thereof, for each Presotea Shop on terms to be decided by Master Franchisee.

2. **Equipment and Supplies.** Master Franchisee shall assist franchisees in their acquisition of the equipment and supplies required in the operation of a Presotea Shop.

3. **Supplies and Materials.**

(a) To the extent it is economically feasible to do so, Master Franchisee shall offer to sell to its franchisees, or shall cause other suppliers to offer to sell to its franchisees supplies and materials at competitive prices and terms equally applicable to all Presotea Shops within the same retail trading area.

(b) Master Franchisee shall cause its franchisees to use in the operation of the Presotea Shops certain Branded products, boxes and other products, which bear the appropriate Marks ("Trademarked Products").

4. **Advertising and Sales Promotion.**

(a) **General.** Master Franchisee shall develop and provide to all Presotea Shops in the Franchised Area advertising, public relations and promotional programs designed to promote and enhance the value of the Marks in the Franchised Area. All such advertising and programs shall be submitted to Franchisor for approval prior to dissemination. Master Franchisee warrants that all such advertising and programs shall comply with the laws of the territory/state in which the Presotea Shops are franchised.

(b) **Local Marketing.** Master Franchisee shall ensure that its franchisees spend, on a monthly basis, not less than 5% of Gross Revenues (as defined in Section 8A) on local and cooperative marketing. Local and cooperative marketing expenditures shall be in addition to the Brand Fund Fees. In addition to complying with any specific marketing requirements of Franchisor, Master Franchisee shall place and pay for such other marketing as Master Franchisee deems necessary and appropriate. Master Franchisee may create its own ads providing they comply with Franchisor's guidelines and Master Franchisee obtains Franchisor's prior approval. Master Franchisee shall be responsible to assure that all marketing so placed complies with the Operations Manual and serves to enhance and not detract from or harm the Marks and the goodwill attached and to become attached thereto. Master Franchisee shall promptly send to Franchisor copies of all marketing copy and media to be used for Franchisor's approval. In the event Franchisor deems any advertisement or marketing technique to be not in compliance with this

paragraph, Master Franchisee shall, immediately upon receipt of a written notice from Franchisor, refrain from using the subject advertisement or marketing technique and shall thereafter fully comply with this paragraph. If Franchisor does not give its approval within ten (10) days of receipt of the proposed advertisement, then NO approval is deemed given. Franchisor may, from time to time, in its sole discretion have creative pieces available for purchase by Master Franchisee.

5. **Training and Supervision.**

(a) Master Franchisee shall train its franchisees in the methods of operation developed by Franchisor, prior to franchisee's opening of a Presotea Shop. Such training will be provided by Master Franchisee at Master Franchisee's corporate offices and/or designated training facility (ies) at a location designated by Master Franchisee, in accordance with a curriculum approved in advance by Franchisor.

(b) Any of Master Franchisee's representatives wishing to attend training at affiliated companies of Franchisor in Taiwan and pay all costs for travel and lodging and Franchisor's current training fee.

(c) Upon franchisee's commencement of the opening activities for the Presotea Shop, Master Franchisee will provide to the franchisee an on-site member of its management team for such period of time as Master Franchisee shall deem necessary, but not less than three (3) business days, to further instruct the franchisee and staff in management, marketing, and operations of the Presotea Shop, and to assist in establishing proper operating procedures and ensure the successful opening of the Presotea Shop.

6. **Pricing.** Master Franchisee shall conduct regular comparative pricing research in the Franchised Area and endeavor to ascertain and advise its franchisee of those prices, which will optimize profits for the Presotea Shop franchisees.

7. **Supervision of Franchisees and Area Representatives.**

(a) Master Franchisee shall, from time to time, and when specifically requested, furnish to its franchisees supervisory, training, advisory and counseling services pertaining to the operation of the Presotea Shop as may be necessary to maintain and improve such operation and the goodwill and public acceptance thereof. The services so provided are in addition to the initial training of its franchisee and in addition to the on site assistance provided. Such additional training and counseling services as will be provided under this subparagraph (a) shall include:



(1) The right of a franchisee, at his own expense, to attend or designate any of his employees to attend the operational training as currently provided by Master Franchisee to new franchisees, space permitting.

(2) Updates of standard operating procedures covering the operation of the Presotea Shops, as is provided to Master Franchisee by Franchisor.

(3) On-site consultations by a Master Franchisee representative, with franchisees as deemed reasonable and necessary by Master Franchisee (or by Franchisor).

(b) Master Franchisee shall cause its franchisees and Area Representatives to implement on a timely basis any upgraded technology, services, equipment, fixtures, decor, Marks, etc., which become a part of the System, and to cause its franchisees to remove any technology, services, equipment, fixtures, decor, etc., which become obsolete or no longer part of the System.

(c) Master Franchisee shall endeavor to monitor and maintain that the quality control, physical appearance and services provided by its franchisees and Area Representatives to reflect a positive image and create a positive reputation and goodwill for the Franchisor's name and Marks in the Franchised Area. Master Franchisee shall, and shall ensure that Area Representatives shall at all times use best efforts and reasonable diligence to promote and sell the Presotea franchise, the Franchisor's Marks and trade names, and to maintain the capacity, facilities and personnel necessary in furtherance of such purpose.

(d) Master Franchisee shall undertake at its expense to enforce the terms of its franchise agreements and Area Representative agreements, to include taking legal action/arbitration proceedings against its franchisees for nonpayment of royalties or fees or to enforce other violations of the franchise agreements and Area Representative agreements. Master Franchisee shall keep Franchisor fully informed of the progress and status of such actions, and shall use due diligence to promptly resolve such actions.

(e) In the event a Presotea Shop in the Franchised Area closes, or Master Franchisee terminates a franchise agreement with one of its franchisees, Master Franchisee shall ensure that all of Franchisor's Marks and trade names have been promptly removed from the inside and outside of the premises, that all manuals, advertising materials and other items with Franchisor's Marks and trade names have been returned, removed or destroyed, that all original artwork is returned to the customers or transferred to another Presotea Shop in the Franchised Area, if possible, and shall assist the closing franchisee

as otherwise reasonably requested.

**I. INSURANCE.** Master Franchisee shall operate its business, and assume sole and entire responsibility and defend, indemnify and hold harmless Franchisor and its affiliates and their representatives from any and all claims, liability, responsibility and damage, costs or expenses by reason of any loss of life or injury or claimed injuries to person or property that may be sustained in connection with the operation of Master Franchisee's and/or its franchisee's businesses, or in connection with the activities of the Area Representatives. Master Franchisee further agrees to maintain and keep in force and shall cause its franchisees to maintain and keep in force during the term hereof and the term of the franchisees' franchise agreements, for the mutual benefit of the Franchisor and Master Franchisee, all forms of necessary business insurance including but not limited to general public liability insurance limits of not less than one million dollars (U.S.\$1,000,000) per occurrence, and one hundred thousand dollars (U.S.\$100,000) property damage. All such policies of insurance shall name Franchisor and Master Franchisee as an additional named insured covering public liability. Master Franchisee shall cause to be furnished to Franchisor a certificate of insurance on the subject policies and endorsements thereto. Master Franchisee and its franchisees will promptly pay all premiums on those policies as and when they become due and payable. Master Franchisee and its franchisees will cause insurer to include Franchisor as a party to be noticed in regard to cancellation, expiration or renewal of all such policies.

Notwithstanding the damage or destruction of any of the Presotea Shops in the Franchised Area, obligations payable by Master Franchisee to Franchisor under this Agreement shall not abate. In order to assure the satisfaction of such obligations, Master Franchisee hereby covenants and agrees to obtain for its own account and to use its best efforts to cause its franchisees to obtain business interruption insurance coverage naming Master Franchisee and Franchisor as a co-insured that shall include increments sufficient to cover all obligations for at least sixteen (16) weeks. Master Franchisee hereby further covenants and agrees to assign to Franchisor the proceeds owed under such business interruption policy to the extent such monies are required to meet Master Franchisee's obligations or monies past due that are due and owing hereunder.

**J. COMPLIANCE WITH LAWS/DATA PROTECTION.**

1. Master Franchisee shall operate its business, and shall exert its best efforts to cause its franchisees and Area Representatives to operate in strict compliance with all applicable laws, rules and regulations of duly constituted governmental authorities and in strict compliance with the standard procedures, policies, rules and regulations established by Franchisor which shall be in Franchisor's confidential operations manual, bulletins, notices or elsewhere.

Master Franchisee shall promptly notify Franchisor of any alleged violation of any local laws or regulations by franchisees or asserted against Master Franchisee.

2. Master Franchisee shall (and shall ensure its franchisees and Area Representatives shall) process such data only insofar as is necessary for the purpose of performing its obligations under this Agreement and under any service agreements with the customer; shall not disclose customer personal data to any third parties other than employees/agents necessary to perform the services, and ensure that such employees and agents are strictly adhere to applicable data protection laws.

**K. INSPECTION BY MASTER FRANCHISEE.**

1. Master Franchisee shall inspect each Presotea Shop in the Franchised Area from time to time, but not less than one (1) time every two months, to protect the goodwill, public acceptance and image of the Presotea Shops. Master Franchisee shall cause each franchisee to agree to allow entry into the franchised premises by authorized representatives of Master Franchisee or Franchisor for the purpose of making inspections and audits and agree further not to hinder, impede or interfere with the making of such inspections.

2. Such inspections and audits shall be conducted at such times in such manner as not to unreasonably interfere with the operation of the Presotea Shops and, to the extent reasonably possible, shall be so scheduled as to be conducted at a time when the franchisee is able to be present at the Presotea Shop. Master Franchisee shall create and provide each Presotea Shop with copies of all reports and records of inspection pertaining thereto, immediately after such report and record is prepared. Master Franchisee shall also promptly provide such reports and records of inspection to Franchisor.

3. Should such inspections and audit reveal that the Gross Revenues reported to Franchisor are underreported then Master Franchisee shall be responsible for all Franchisor's costs of the inspection/audits (including travel costs), as well as the additional fees due on the underreported sales.

**L. INDEMNIFICATION.** Master Franchisee hereby agrees to defend, indemnify and hold Franchisor harmless from and against any and all costs, expenses, (including attorney's fees and court costs), losses, liabilities, damages, causes of action, claims and demands, whatsoever, incurred by Franchisor as a result of or in connection with the operation or licensing of the Presotea Shops in the Franchised Area, the fixtures, equipment, goods, merchandise or products used therein or thereon, or sold by Master Franchisee and/or Area Representatives including all negotiations and representations made by Master Franchisee

and/or Area Representatives in connection with any of the foregoing, and whether arising from personal injury (to include wrongful death), property damage, breach of contract, fraud, negligence or any other violation of the rights of others, or in any other way. Master Franchisee shall immediately notify Franchisor of any such allegations against Master Franchisee or against Franchisor and shall pay all legal costs and provide defense counsel for Franchisor for any legal process naming Franchisor as a defendant, whether or not the allegations have merit. Master Franchisee shall be ultimately liable to Franchisor for the representations and actions of its Area Representatives.

- M. CONFIDENTIAL AND PROPRIETARY INFORMATION.** Master Franchisee (and its guarantors) acknowledge and recognize that Franchisor has disclosed and continues to disclose to Master Franchisee (and its guarantors) its confidential and proprietary operating System, including its confidential operations manuals, training classes, the proprietary materials and the trademarked items, for and over which Franchisor has exclusive rights. Master Franchisee (and its guarantors) agree neither to infringe upon, use nor imitate the System or any of its distinguishing characteristics, except under written license from Franchisor. Further, as consideration for Franchisor's disclosing its confidential and proprietary system to Master Franchisee (and its guarantors) and training Master Franchisee (and its guarantors) in the particulars to be an Master Franchisee, Master Franchisee (and its guarantors) do hereby agree they will not, during the term of this Agreement and for a period of five (5) years thereafter, be involved in any business which is substantially similar to the business contemplated by this Agreement at any place within the Franchised Area, except as a licensed franchisee of Franchisor.
- N. TRANSLATION.** It is understood that all written materials provided by Franchisor to Master Franchisee, including but not limited to, operating manuals, advertising materials, training materials, promotional materials, equipment lists, instructions, franchise contracts, etc., and all correspondence and documentation whatsoever, shall be in the English language, and Master Franchisee maintains full responsibility for any and all translations of such materials (and for the accuracy of such translations) into the native language(s) of the Franchised Area.
- O. CONVENTION ATTENDANCE.** If Franchisor conducts an international convention for its franchisees and Master Franchisees, Master Franchisee shall send, at its expense, at least one approved representative of the Master Franchisee to attend each such convention for its full duration.
- P. NON-COMPETITION DURING THE TERM.** Master Franchisee shall not during the term of this Master Franchise Agreement, engage in any other business, whether as an owner, employee,

investor, consultant or otherwise, which business franchises or supports any business similar to a Presotea Shop.

## Section 8: GROSS REVENUES

- A. **Definition of Gross Revenues.** The term "Gross Revenues" as used in this Agreement shall mean the total revenues Master Franchisee receives from all the franchised Presotea Shops in the Franchised Area whether for cash sales of merchandise or otherwise, or charge sales thereof, or revenues from any source arising out of the operations of such Presotea Shops, deducting all returns, refunds, allowances and receipts, if any, and any sales, VAT, or excise taxes which are separately stated and which the Master Franchisee or its franchisees may be required to and do collect from customers and pay to any federal, provincial or local taxing authority.
- B. **Recording Gross Revenues.** Master Franchisee shall record all sales and all receipts of revenues for each individual Presotea Shop in the Franchised Area, and shall endeavor to ascertain the sales, if any, by audit or otherwise, which are not reported by franchisees to Master Franchisee. Master Franchisee shall provide the Franchisor, on a monthly basis, on a form to be furnished by Franchisor, the amounts of gross sales reported to Master Franchisee or otherwise ascertained during such month, broken down for each Presotea Shop, and reflecting the sum payable to Franchisor for such period, together with such other data as Franchisor may from time to time require.

All business records of Master Franchisee and its franchisees shall be kept on forms and in accordance with procedures, as prescribed by Franchisor from time to time at its sole discretion. Master Franchisee shall keep and preserve for a period of thirty-six (36) months after the end of each year all business records, including but not limited to, invoices, cash and other returns, sales, bank books, duplicate deposit slips and other evidence or evidences of Gross Revenues and business transactions for such year. Franchisor shall have the right, subject to a reasonable notice period, to enter Master Franchisee's premises and from time to time audit all the books of accounts, bank statements, documents, records, tax returns, papers and files of Master Franchisee relating to Gross Revenues and receipts and upon request by Franchisor, Master Franchisee shall make all such matters available for examination at Master Franchisee's premises. Master Franchisee shall cause its franchisees to allow Franchisor to have the same access to franchisees business records.

- C. **Annual Statements.** Master Franchisee shall submit to Franchisor within sixty (60) days after Master Franchisee's fiscal year an audited financial report prepared at Master Franchisee's

expense by a Chartered Accountant or Certified Public Accountant, detailing the profits and losses, and the assets and liabilities of Master Franchisee's business. Further Master Franchisee shall submit to Franchisor copies of all tax returns as and when they are due to the relevant taxing authority.

- D. **Payment of Ongoing Royalty Fees to Franchisor.** An electronic file transmission of the corresponding Gross Revenues reports must be sent to Franchisor within ten (10) business days after each month-ending day, and, within the same time period, the aggregate ongoing, continuing franchise fees, and monthly royalty fees so due must be remitted in U.S. funds by electronic transfer of funds into an account designated by Franchisor. The cost of such transactions (wire transfer fees or the equivalent) originated at the source of the payment shall be borne by Master Franchisee.

## **Section 9: RELATIONSHIP OF THE PARTIES**

In all matters pertaining to the operation of the Franchised Area, Master Franchisee and Franchisor are and shall be independent contractors. Nothing in this Agreement or in the relationship of the parties shall be construed to create a partnership, joint venture or agency or employer-employee relationship between Franchisor and Master Franchisee.

## **Section 10: TRANSFER TO MASTER FRANCHISEE CORPORATION OR DEATH OF MASTER FRANCHISEE**

If Master Franchisee is an individual, a transfer of this Agreement may be made by Master Franchisee to a corporation, without a transfer fee, however, the Master Franchisee shall remain the legal and beneficial owner of at least fifty-one percent (51%) of all the shares of stock of such corporation during the term and/or renewal term of this Agreement and Master Franchisee shall remain personally liable and guarantee the performance of Master Franchisee's obligations herein. If Master Franchisee is a corporate entity, a transfer of no more than 49% of ownership shares may be made by the original owners. Further, the names and home addresses of any proposed shareholders, along with the percentage and amount of shares transferred shall be forwarded to Franchisor in writing. Franchisor may approve or disapprove a proposed shareholder and any disapproval shall be based upon reasonable grounds. Any transferee of shares or other interest shall agree to be bound by this Agreement as though they had signed individually. All stock certificates shall include a legend setting forth these restrictions in order to effect a binding restriction on transferability in accordance with the corporate law of the applicable jurisdiction.

If Master Franchisee dies (or becomes disabled to the point of being unable to operate the business), his personal representative must within 6 months , either (i) request the right to continue to operate the business, subject to Section 11, except that no Transfer Fee will be payable, or (ii) may sell and assign his interest herein (or if Master Franchisee is or shall then be a corporation and its controlling stockholder dies, his personal representative may sell his shares) subject to Section 11, only with the prior written consent to the sale or assignment to a qualified person who will conform to the Franchisor's training requirements and assume Master Franchisee's obligations and has good character, reputation and stability. The Franchisor is given the right and option to match the terms of a legitimate offer to purchase the decedent's interests. The personal representative will give Franchisor notice as required herein and Franchisor will have thirty (30) days to match or reject the terms of purchase. The same right to approve and same standards will apply to the proposed assignee in any event.

### Section 11: TRANSFER REQUIREMENTS

- A. Transfer by Franchisor. Franchisor shall have the right to assign the Master Franchise and all of its rights and privileges hereunder to any other firm or corporation; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of the Franchisor, (1) the assignee shall be financially responsible and economically and technically capable of performing the obligations of Franchisor hereunder; and (2) the assignee shall expressly assume and agree to perform such obligations.
- B. Transfer by Master Franchisee. During the term of this Agreement, THE PRINCIPAL OF MASTER FRANCHISEE MUST OWN AT LEAST 51% OF THE MASTER FRANCHISEE ENTITY. ANY PROPOSED TRANSFER OF ANY PORTION OF MASTER FRANCHISEE WHICH MASTER FRANCHISEE WILL NO LONGER OWN AT LEAST 51% OF MASTER FRANCHISEE WILL BE CONSIDERED A TRANSFER UNDER THIS SECTION. Master Franchisee shall have the right to assign, transfer franchisee's rights to the Master Franchise created by this Agreement, upon the terms and conditions provided herein, subject only to the prior written consent of the Franchisor in the manner provided below.
1. The assignee, or a designated representative thereof, shall, as a condition precedent to said transfer, successfully complete the training program established by entity(ies) designated by the Franchisor for all new Master Franchisees;
  2. The assignee shall sign a new, current form of Master Franchise Agreement with Franchisor; if the assignee is a corporation, a personal guarantee is required;

3. The assignee shall be financially responsible and economically capable of performing the obligations as the Master Franchisee under the new agreement;

4. Should the Franchisor approve a proposed assignment by Master Franchisee the Master Franchise rights, Master Franchisee shall reimburse Franchisor or entities designated by the Franchisor for all reasonable costs and expenses without limitation, including costs of evaluating and training the assignee. The parties hereto agree that the sum of twenty Thousand dollars (U.S.\$20,000.00) is deemed reasonable and shall be the sum paid by Master Franchisee.

C. Right of First Refusal. Master Franchisee shall serve upon Franchisor a written notice setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee. Within thirty (30) days after Franchisor's receipt of such notice Franchisor may either consent to the assignment, or reject it (on reasonable grounds), or, at its option, accept the assignment to itself or its nominee upon the terms and conditions specified in the notice. A failure to give its consent by either no notice of consent, rejection or notice of it exercising its right of first refusal will be consent to the assignment after the thirty-day period has elapsed. Notice of rejection will specify with particularity as to the reason for Franchisor's refusal to give consent to the transfer of the proposed assignee.

Should Franchisor exercise its rights to first refusal, the following shall apply:

1. Franchisor shall be entitled to credit against the purchase proceeds, all amounts owed from Master Franchisee, whether due or not, and from all sources whatsoever.

2. Master Franchisee shall deposit in escrow with a national U.S. based title insurance company, or other national U.S. based escrow company, the sum of U.S.\$10,000 for the benefit of Franchisor, for a period of ninety (90) days after closing for undisclosed liabilities. On the ninetieth (90th) day, if no claims or demands are made, the entire amount will be released to Master Franchisee.

3. All other items will follow the normal procedures of a buy-sell agreement as between the parties.

4. The purchase by the assignee or the Franchisor will be subject to such consents, payments, etc., as may be required by each or all of the governments having jurisdiction over such a transfer.



- D. Neither this Agreement nor any rights or duties hereunder shall be assigned or otherwise disposed of separately. No part of this Agreement shall be assigned by operation of law.
- E. Any assignment or purported assignment performed or purported to be performed which fails to comply with the terms and condition herein set forth shall be void and of no force and effect unless Franchisor has provided written approval of such assignment.
- F. Subject to the prohibition and restrictions of assignment contained herein, this Agreement shall be binding upon and shall inure to the benefit of the successors, assigns, heirs and representatives of the parties.

### **Section 12: TERMINATION**

- A. Master Franchisee acknowledges that strict performance of all the terms of this Agreement is necessary for the protection of Franchisor. It is, therefore, agreed that strict and exact performance by Master Franchisee of each of its promises contained herein is a condition precedent to the continuance of this Agreement.
- B. Franchisor may terminate this Agreement as follows:
  - 1. Franchisor may terminate this Agreement with five (5) days notice of default and demand to cure, if any of the below occurs and Master Franchisee does not cure such within 5 days:
    - i. Master Franchisee fails to pay Franchisor or Franchisor's affiliate any amounts due under this Agreement;
    - ii. Master Franchisee's franchisee(s) fails to operate a Presotea Shop under the Marks or fails to properly display the Marks at all times in full compliance with this Agreement and the Manual;
    - iii. Master Franchisee or its franchisee(s) ,or its Area Representatives, fails to comply with any law or regulation (that can be corrected in 5 days);
    - iv. Master Franchisee or its franchisee(s) fails to use approved vendors;
    - v. Master Franchisee or its franchisee(s) fails to have sufficient inventory;
    - vi. Master Franchisee or its franchisee(s) refuses to permit or cooperate with an audit;

- vii. Master Franchisee or its franchisee(s) fails to have a trained owner or manager on site during opening hours;
  - viii. Master Franchisee or its franchisee(s) fails to maintain any required insurance;
  - ix. Master Franchisee or its franchisee(s) fails to timely deliver an estoppel certificate;
  - x. Master Franchisee abandons the Master Franchise Business, or allows its franchisee(s) to close or abandon the Presotea Shop(s), or is prevented from opening the shop for normal business for more than three (3) days, without the prior written consent of Franchisor.
2. Except as provided below, Franchisor may terminate this Agreement upon thirty (30) days notice and opportunity to cure (or longer if required by law) if Master Franchisee is in breach of any other term of this Agreement or of any other agreement between Master Franchisee and Franchisor or any affiliate of Franchisor.
3. Franchisor may terminate this Agreement immediately and without opportunity to cure for occurrence of any one or more of the following events (each of which Master Franchisee acknowledges is good cause for termination and a material breach of this Agreement), notwithstanding that Franchisor may have the option to give a longer notice and cure period pursuant to other provisions of this Agreement:
- i. Master Franchisee engages in willful use of unauthorized food vendors;
  - ii. Master Franchisee's franchisee(s) is cited for any health code violations not corrected within the time required by the issuing agency;
  - iii. Master Franchisee files a voluntary petition in bankruptcy or has an involuntary petition filed against Master Franchisee Master Franchisee makes an assignment for the benefit of creditors, or a receiver or trustee is appointed;
  - iv. Master Franchisee violates or attempts to violate any of the Transfer provisions of this Agreement, not already noticed for default in section 12B; or there is any change in the ownership of any majority interest in the Master Franchisee entity without having first complied with the provisions of this Agreement;
  - v. The location of the Master Franchisee's franchisees is closed down by any governmental authority, or possession is retaken by the landlord;

- vi. Master Franchisee or its franchisee(s) sublicenses or attempts to sublicense the Marks or the System in violation of this Agreement;
- vii. Master Franchisee, any Area Representative, or its franchisee(s) is an Entity and an impasse exists between equity or other owners;
- viii. Master Franchisee or its franchisee(s) violates or fails to comply with any law, rule, regulation, ordinance or order relating to the operation of a Presotea Shop or fails to obtain and continue any license, permit or bond necessary, in Franchisor's opinion, for operation of a Presotea Shop;
- ix. Master Franchisee or their owners is/are convicted of or pleads guilty or "Nolo Contendere" to any felony charges;
- x. Master Franchisee, its Area Representative or its franchisee(s) fails to operate a Presotea Shop under the Marks or fails to properly display the Marks at all times in full compliance with this Agreement and the Operations Manual;
- xi. Master Franchisee, its Area Representatives, or its franchisee(s) engages in any business dealings in relation with the Master Franchise Business, or any Presotea Shop or otherwise, which are unethical, dishonest or otherwise could cause harm to the Marks, the System, Franchisor, other franchisees, the goodwill associated with the Marks, or to any customer, client or vendor of Master Franchisee or any other franchisee of the Franchisor;
- xii. Any other agreement, including any other franchise agreement to which Master Franchisee is a party, between Master Franchisee and Franchisor or between Master Franchisee and any of Franchisor's related companies is terminated for cause;
- xiii. Any repeated violations of default of this Agreement, even though cured, if repeated two (2) times or more times in any twelve (12) month period, except for health code violations;
- xiv. Master Franchisee fails to secure a location for a Presotea Shop, within one hundred eighty (180) days from the signing of this Agreement (there will be no refund of any fees paid by Master Franchisee pursuant to this Agreement or under the Training Agreement);
- xv. Master Franchisee fails to franchise and have open its first franchised Presotea Shop within two hundred forty (240) days from the signing of this Agreement or any approved

extensions, (there will be no refund of any fees paid by Master Franchisee pursuant to this Agreement or under the Training Agreement).

xvi. Master Franchisee fails to meet the following financial performance requirements (Master Franchisee's protected territory may be terminated or Master Franchise Agreement terminated):

1. Master Franchisee's business shall reach break-even (total sales revenues equals total costs and expenses) in the 3rd financial year;

2. Master Franchisee's business shall, on an annual basis, have an operating margin (earnings before interest and taxes divided by sales revenue) of 20%, for each of the 4th and 5th financial year.

3. Master Franchisee shall sell and have open a minimum of ten (10) unit Presotea Shops in the Franchised Area by the end of the 6<sup>th</sup> year commencing with the date of this Agreement.

C. Notwithstanding the above, Franchisor may, in Franchisor's sole discretion, elect to not terminate this Agreement and to, in lieu thereof, impose limitations on Master Franchisee, including, but not limited to, revocation of Master Franchisee's Franchised Area rights, and revocation of Master Franchisee's rights to acquire or offer and sell certain products and services, or implement a remedial program which Master Franchisee must participate at Master Franchisee's cost. Franchisor's election to not terminate this Agreement pursuant to this paragraph shall not constitute an election of remedies and Franchisor may, thereafter, terminate this Agreement on account of the same or any other event(s) of default as set forth herein.

D. Master Franchisee may terminate this Agreement on any grounds permitted by law.

E. Upon expiration or termination of this Agreement, Master Franchisee agrees that all franchise and Area Representative agreements of Master Franchisee shall by this section be assigned to Franchisor, or Franchisor's assignee, on terms to be further discussed between Franchisor and Master Franchisee, in which event all franchisees in the Franchised Area shall continue to operate under their individual franchise agreements, but shall, upon Franchisor's providing written notice of the assignment, remit all monies currently owed to the Master Franchisee directly to the Franchisor, or Franchisor's assignee and Franchisor (or Franchisor's assignee) shall succeed to all Master Franchisee's obligations and rights under those franchise agreements.

### Section 13: DUTIES UPON TERMINATION/EXPIRATION

Provided that this Agreement is not renewed, Master Franchisee (or his estate) as well as all guarantors, individually, will undertake the following should the Agreement be terminated or upon expiration.

1. Promptly pay any and all sums owed by Master Franchisee to Franchisor and promptly pay to the parties the amounts which are owed as a result of Franchisor's guaranty of payment, whether or not such sums have matured and are payable.
2. Cease doing business under the Marks licensed by Franchisor for Master Franchisee's use hereunder.
3. Promptly destroy, return to Franchisor, or dispose of as directed by Franchisor, all stationery, printed matter, signs and advertising material containing the Franchisor's names and/or Marks.
4. Immediately as of the date of termination, cease to use the telephone, fax, or data communications number(s) and transfer the use of all such numbers and "yellow pages" (or equivalent) telephone directory advertising to Franchisor or its designee. Master Franchisee by this instrument authorizes Franchisor to effect such a transfer with the telephone company (ies), carrier(s), service provider(s), or publisher(s), and Master Franchisee agrees to hold any such company harmless from any and all claims against it arising out of any orders given by Franchisor to such a transfer.
5. Immediately cease all use of Franchisor's proprietary "Online" or "Net" software and cease all use of the Marks via the Internet, including ceasing use of the Franchisor related e-mail addresses and URLs.
6. Promptly return to Franchisor all operations manuals and any copies thereof and other information and communications received from Franchisor in connection with the operation of the Master Franchise business hereunder, and shall not retain any copies thereof.
7. Promptly provide Franchisor all Presotea franchisee files, contact information and franchise agreements and Area Representative Agreements and information.

8. Master Franchisee covenants and agrees that in the event of termination for any reason whatsoever, or expiration, Master Franchisee, will for a period of two (2) years thereafter within the Franchised Area, refrain from and not act or participate in any manner, including financially, with any party or on its own behalf, in the business of owning, operating or selling services or products substantially similar in nature to Presotea Shops, or the Presotea Master franchise business, except as an authorized Master franchisee of Franchisor.

#### **Section 14: COMPLETE AGREEMENT**

This Agreement and exhibits and the documents referred to herein and therein shall be construed together and constitute the entire agreement between the parties and supersede all prior negotiations, understanding and agreements, if any. No director, employee or agent of Franchisor is authorized to make any representations or warranty not contained in this Agreement, or the operations manual; and Master Franchisee as well as the individual guarantors, acknowledge that they have not relied on any such oral or written representations or statements about Franchisor, its business, Master Franchisee's business, the prospects for the same, the turnover, profitability, or any other matter unless such representations or statements are annexed to this Agreement and signed by the parties.

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties hereto.

No person who is not a party to this Agreement, other than a director or employee of Franchisor, shall have any rights to enforce any term of this Agreement, (whether under any third party rights acts, or otherwise), which expressly or by implication confers a benefit on that person.

#### **Section 15: CHOICE OF LAW AND ARBITRATION**

This Agreement shall be governed by the laws of the State of **WISCONSIN**.

Any controversy or claim arising out of or relating to this Agreement, or any breach thereof, including without limitation, any claim that this Agreement is invalid, illegal, or otherwise voidable, shall be submitted to arbitration before and in accordance with the rule of the International Rules of the American Arbitration Association and judgment upon the award may be entered in any court having jurisdiction thereof. The site of arbitration proceedings shall be the office of the American Arbitration Association located in the State of **WISCONSIN**. The prevailing party in any such arbitration shall be entitled to recovery of all administration fees and arbitration fees paid. All other costs, expenses and fees incurred by either party in connection

with such arbitration (including attorneys' fees incurred) shall be borne by the party so incurring such fees.

Either party to the arbitration may request the arbitrators to include in their awards findings of fact and conclusions of law and same shall be included if such request is made by any party to such arbitration.

Notwithstanding the above, Franchisor reserves the right to seek an injunction or other equitable relief directly in the jurisdiction of the Franchised Area.

### Section 16: NOTICES

Any notice required or permitted to be given hereunder shall be in writing and shall be served upon the other by an express air courier service that must provide for a signed receipt, postage prepaid and shall be considered delivered five (5) business days after deposit in the mail, whether or not the addressee signs for such letter. Such notices may alternatively be made by email with a follow up overnight express mail. Any notice to the Franchisor shall be addressed to:

To Franchisor:  
PRESOTEA (USA), CO., LTD  
1209 Orange Street  
Wilmington, Delaware 19801  
PH 886-2-2269-0568 (Taiwan)  
Email: usa@presotea.com

or such other address as may be designated by Franchisor.

To Master Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Email: \_\_\_\_\_  
Attention: \_\_\_\_\_

or such other address as may be designated by Master Franchisee.

## **Section 17: WAIVER AND DELAY**

No waiver or delay in enforcement of any breach of any term, covenant or condition of this Agreement shall be construed as a waiver of any preceding or succeeding breach of any other term, covenant or condition of this Agreement; and without limitation upon any of the foregoing, the acceptance of any payment specified to be paid by Master Franchisee hereunder shall not be construed to be a waiver of any breach of any term, covenant or condition of this Agreement.

## **Section 18: RIGHT TO CURE DEFAULTS**

Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Master Franchisee, cure such default or defaults for the account and on behalf of Master Franchisee and the cost to Franchisor thereof shall be due and payable on demand, and shall be deemed to be additional compensation and shall be added to the amount of compensation next accruing hereunder, at the election of Franchisor. Franchisor shall not be responsible to Master Franchisee for any loss or damage resulting in any manner by reason of its undertaking any acts in accordance with the provisions of this Agreement.

## **Section 19: ABANDONMENT OR SURRENDER BY MASTER FRANCHISEE AND ASSIGNMENT TO FRANCHISOR**

In the event Master Franchisee shall for any reason abandon, or surrender or cause to be revoked all or any part of the rights and privileges under this Agreement, Master Franchisee agrees that all such rights may, at Franchisor's discretion, by this Section, be assigned to the Franchisor, or Franchisor's designee. Franchisor (or Franchisor's designee) shall not succeed to any obligations or liabilities of Master Franchisee arising out of or accruing prior to the effective date of the assignment.

## **Section 20: CURRENCY OF THE MASTER FRANCHISE AGREEMENT**

All monetary references in the provisions of the Master Franchise Agreement are in U.S. currency, which shall be the currency of this Agreement.

## **Section 21: CONSTRUCTION OF AGREEMENT AND HEADINGS**



- A. The headings as to the contents of particular paragraphs herein are inserted only for convenience and are in no way to be construed as part of this Agreement or as a limitation on the scope of the particular paragraphs to which they refer.
- B. In the event any provision of this Agreement or part thereof shall be determined by any court of competent jurisdiction to be invalid, void, or otherwise unenforceable, the remaining provisions hereunder, or parts thereof, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, it being understood that such remaining provisions shall be construed in a manner most clearly approximating the intention of the parties with respect to the invalid, void or unenforceable provision or part thereof.
- C. The words "Franchisor" and "Master Franchisee" herein and all endorsements herein, shall be applicable to one or more parties, as the case may be, and the singular shall include plural and the masculine shall include the feminine.

*Signatures on next page*

**SECTION 22: ACKNOWLEDGMENT AND SIGNING**

IN WITNESS WHEREOF, the parties hereto accept and agree to each and all of the provisions, covenants and conditions herein contained.

MASTER FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_

Title

\_\_\_\_\_

\_\_\_\_\_

Title

FRANCHISOR:

PRESOTEA (USA), CO., LTD

BY: \_\_\_\_\_

Effective Date: \_\_\_\_\_

MEI YEN CHEN, President

EXHIBIT "A"  
TO  
MASTER FRANCHISE AGREEMENT

**Marks and Names**

Franchisor grants license for the following marks:



All other names, taglines, marks, logos, slogans, and future trademarks, which Franchisor uses and licenses to its Master Franchise Business and the franchised Presotea Shops.

MASTER FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_

Title

\_\_\_\_\_

\_\_\_\_\_

Title

**EXHIBIT "B"**  
**TO**  
**MASTER FRANCHISE AGREEMENT**

**Protected Territory/Franchised Area:**

The State of Wisconsin of the United States of America

**FRANCHISE DISCLOSURE-REGISTRATION LAW:**

MASTER FRANCHISEE AGREES TO COMPLY WITH THE LAWS OF THE STATE OF WISCONSIN AND THE FTC REGARDING FRANCHISE DISCLOSURE AND REGISTRATION.

MASTER FRANCHISEE UNDERSTANDS AND AGREES IT MAY NOT AND WILL NOT ATTEMPT TO SELL ANY UNREGISTERED PRESOTEA FRANCHISE OR OTHERWISE VIOLATE THESE DISCLOSURE, REGISTRATION AND FRANCHISE REGISTRATION LAWS.

MASTER FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_

Title

\_\_\_\_\_

\_\_\_\_\_

Title

**EXHIBIT "C"**  
**TO**  
**MASTER FRANCHISE AGREEMENT**

**FEES**

**ALL AMOUNTS EXPRESSED IN U.S. DOLLARS AND ARE EXCLUSIVE OF APPLICABLE TAXES**

**Presotea Shop's Store Opening Fee:**

Master Franchisee shall pay Franchisor, within seven (7) business days of the date of Franchisor's invoice, a Store Opening Fee of Fifteen Thousand Dollars (\$15,000), upon the opening of each franchised Presotea Shop.

**Ongoing Royalty Fee:**

Master Franchisee shall pay Franchisor, within seven (7) business days of the date of Franchisor's invoice, an ongoing, royalty fee, calculated as follows:

One Point Six Seven percent (1.67%) of the Gross Revenues of each franchised Presotea Shop.

**Brand Fund Fee:**

Once the Brand Fund Fee is implemented, Master Franchisee shall pay to Franchisor an annual Brand Fund Fee, due January 31 of each year, in the amount equal to Five percent (5%) of Gross Revenues of all Presotea Shops franchised by Master Franchisee in the Franchised Area for the prior year, without setoff.

**Renewal Fee:** 50% of Master Franchise Fee for the Territory, if there is one or otherwise on terms agreed to between Franchisor and Master Franchisee..

**Currency Exchange Rate:**

The payment of royalty fees by Master Franchisee to Franchisor shall be subject to the following currency exchange rate calculation: On the last business day of each calendar month, the sum of the aggregate sales of all **Presotea Shops** in the Franchised Area shall be converted into U.S. Dollars according to the middle rate for conversion as published by Chase Manhattan Bank, New York, or, such rate as otherwise published by a reputable third party and accepted, in writing, by Franchisor.

MASTER FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Title  
\_\_\_\_\_  
Title

**EXHIBIT "D"  
TO  
MASTER FRANCHISE AGREEMENT**

**Required Development**

Master Franchisee must franchise and open ten (10) Presotea Shops in the Franchised Area over a period of six (6) years ("Required Development").

If at the end of six (6) years, this Required Development is not achieved, Franchisor has a right not to renew this agreement and there will be no refunds.

MASTER FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Title  
\_\_\_\_\_  
Title



**Exhibit “F”  
To  
Master Franchise Agreement**

**TRAINING AGREEMENT**

**between**

---

**[Master Franchisee]**

**and**

**Presotea Co., Ltd.**

**for the Provision of**

**Training**



## TRAINING AGREEMENT

### 1. RECITAL

**Whereas** [ ] (“**Master Franchisee**”) is a company incorporated under the laws of the state of \_\_\_\_\_[state], the United States of America, and

**Whereas** Presotea Co., Ltd. (“**Presotea Taiwan**”) is a company incorporated under the laws of Taiwan, the Republic of China and experienced in operating and managing of a Taiwanese delicacy drink business;

**Whereas** Presotea Taiwan has authorized its wholly-owned affiliate, Presotea (USA) Co. Ltd. (“**Presotea US**”), to grant franchises in the U.S.;

**Whereas** under a Master Franchise Agreement (“**Franchise Agreement**”) entered into by Presotea US, and Master Franchisee on \_\_\_\_\_<date of Franchise Agreement>, Presotea US has granted Master Franchisee a right to grant franchisees to open and operate Presotea Shops in the Franchised Area; and

**Whereas** in order to ensure the satisfactory performance of the Franchise Agreement, Master Franchisee desires that Presotea Taiwan provides training auxiliary to the Franchise Agreement on the terms and conditions set out in this Agreement, and

**Now, therefore**, in consideration of the mutual obligations herein contained, Master Franchisee and Presotea Taiwan agree as follows:

### 2. PARTIES

This Agreement is entered into between

[Master Franchisee], a company incorporated under the laws of the state of [-\_\_\_\_\_], U.S.A., with its principal office at [\_\_\_\_\_].

and

Presotea Co., Ltd., a company incorporated under the laws of the Republic of China with its principal office at No. 3 Fuxing Street, Tucheng District, New Taipei City, Taiwan, R.O.C.

Master Franchisee and Presotea Taiwan are hereinafter called, individually, the “**Party**” or, collectively, the “**Parties**”.

### **3. DEFINITIONS**

- 3.1 Any and all terms used herein are defined in Annex A hereto and shall have the meanings therein specified for all purposes of this Agreement. Any terms not defined hereto shall be as defined under the Franchise Agreement.
- 3.2 If an event under this Agreement must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.
- 3.3 Whenever the word “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”.

### **4. AGREEMENT DOCUMENTS**

- 4.1 The following documents (“**Agreement Documents**”), as amended from time to time, constitute the Agreement:
1. This main body of this Agreement
  2. Annex A Agreement Definitions
- 4.2 In the event of any inconsistency between the Agreement Documents, the inconsistency shall be resolved by giving precedence to the Agreement Documents in the order in which they are listed above.

### **5. SCOPE OF AGREEMENT**

- 5.1 Upon the terms and conditions set forth in this Agreement, Presotea Taiwan hereby agrees to provide training to Master Franchisee (“**Training**”). Master Franchisee must comply with all of the Training requirements Presotea Taiwan prescribes, to Presotea Taiwan’s satisfaction.

- 5.2 Unless otherwise performed, the Training shall be performed after the execution of this Agreement. Training will be performed in Taiwan for a consecutive period of one hundred and twenty (120) hours over a period of fifteen (15) days. Presotea Taiwan shall provide the Training to personnel designated by Master Franchisee. In consideration of the Training provided by Presotea Taiwan pursuant to this Agreement, Master Franchisee shall pay in full in advance of the Training Twenty Thousand (20,000) U.S. Dollars (“**Training Fee**”) to Presotea Taiwan.
- 5.3 The Training requirements may vary depending on Master Franchisee’s experience and the experience of any manager Master Franchisee hires or other factors specific to Master Franchisee. In the event Master Franchisee is given notice of default under the Franchise Agreement, and the default relates, in whole or in part, to Master Franchisee’s failure to meet any operational standards under the Franchise Agreement, Master Franchisee shall, at its own expense, comply with any and all additional Training requirements that Presotea Taiwan may prescribe.
- 5.4 If Master Franchisee requests additional Training or if Presotea Taiwan determines that it is necessary to provide Master Franchisee with more Training, Presotea Taiwan may require Master Franchisee to pay for each additional training day at Presotea Taiwan’s then-current daily training rate plus expenses. Master Franchisee shall not refuse Training arranged by Presotea Taiwan.
- 5.5 For the avoidance of doubt, Presotea Taiwan may engage such contractor as reasonably qualified for the provision of the Training to perform the Training under the supervision of Presotea Taiwan.

## **6. TERM OF THIS AGREEMENT**

- 6.1 This Agreement shall become effective and come into force upon its execution by duly authorized representatives of both Parties, the date of which shall be the “**Agreement Effective Date**”.
- 6.2 This Agreement shall expire upon the termination of the Franchise Agreement.

## **7. TAXES**

- 7.1 The Training Fee shall include any and all taxes, duties and levies imposed, levied or assessed in Taiwan, R.O.C. and the Franchised Area.

- 7.2 If in accordance with present or future laws in Taiwan, R.O.C. or the Franchised Area, Presotea Taiwan shall be obliged to pay, or Master Franchisee obliged to deduct from any payment to Presotea Taiwan, any amount with respect to any taxes or dues levied in the Franchised Area, Master Franchisee shall increase the payment to Presotea Taiwan by an amount to cover such payment by Presotea Taiwan or deduction by Master Franchisee.
- 7.3 Master Franchisee shall in no event be responsible for any income tax on any personnel of Presotea Taiwan.

**8. PAYMENT AND INVOICING TERMS**

- 8.1 Payment of the Training Fee (\$20,000) shall be made in full to Presotea Taiwan in advance of the Training.
- 8.2 All payments due under this Agreement shall be made in United States Dollars (USD).
- 8.3 All payments due under this Agreement shall be made by wire transfer to an account designated by the Presotea Taiwan on the invoice for such payment, or where an invoice is not issued, in a written request for such payment, and all bank fees for the wire transfer for any payment due hereunder shall be borne by the Master Franchisee.
- 8.4 Master Franchisee shall be solely responsible for arranging for and paying all of Master Franchisee's out-of-pocket costs for the Training, including hotel, food, transportation costs of all personnel designated to attend such Training.

**9. COOPERATION BY MASTER FRANCHISEE**

Master Franchisee shall make best efforts to cause all employees of Master Franchisee to fully comply with the instructions given by Presotea Taiwan.

**10. REPRESENTATIONS OF PRESOTEA TAIWAN**

Presotea Taiwan hereby represents and warrants to Master Franchisee that:

- (i) Presotea Taiwan is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, with full corporate power and authority under its certificate or articles of organization and regulations to own and lease its properties and to conduct its business as the same exists; and
- (ii) Presotea Taiwan has full corporate power and authority under its certificate or articles of organization and regulations, and its directors and shareholders have taken all necessary action to authorize it to execute and deliver this Agreement and any annexure and exhibits hereto, to consummate the transactions contemplated herein and to take all actions required to be taken by it pursuant to the provisions hereof or thereof; and
- (iii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein or therein, does or will violate, conflict with or result in breach of, or require notice or consent under any law, the articles of incorporation of Presotea Taiwan or any provision of any agreement or instrument to which Presotea Taiwan is a party; and
- (iv) there are no pending or threatened judicial or administrative actions, proceedings or investigations which question the validity of this Agreement or any action taken or contemplated by Presotea Taiwan in connection with this Agreement; and
- (v) Presotea Taiwan has obtained all necessary business licenses, permits, consents, releases and authorizations to perform its obligations hereunder.

**11. REPRESENTATIONS OF MASTER FRANCHISEE**

Master Franchisee hereby represents and warrants to Presotea Taiwan that:

- (i) Master Franchisee is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation with full corporate power and authority under its articles of incorporation and bylaws to own and lease its properties and to conduct its business as the same exists. Master Franchisee is duly qualified to do business as a foreign corporation in all states or jurisdictions in which the nature of its business requires such qualification, except where the failure to be so qualified would not have an adverse effect on such party; and

- (ii) Master Franchisee has full corporate power and authority under its articles of incorporation and bylaws, and its directors and shareholders have taken all necessary action to authorize it to execute and deliver this Agreement and any annexure and exhibits hereto, to consummate the transactions contemplated herein and to take all actions required to be taken by it pursuant to the provisions hereof, and each of this Agreement and any exhibits hereto constitutes the valid and binding obligations of Master Franchisee, enforceable in accordance with its terms, except as enforceability may be limited by general equitable principles, bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally; and
- (iii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein or therein, does or will violate, conflict with, result in breach of or require notice or consent under any law, the articles of incorporation of Master Franchisee or any provision of any agreement or instrument to which Master Franchisee is a party; and
- (iv) there are no pending or threatened judicial or administrative actions, proceedings or investigations which question the validity of this Agreement or any action taken or contemplated by Master Franchisee or in connection with this Agreement; and
- (v) Master Franchisee has obtained all necessary business licenses, permits, consents, releases and authorizations to perform its obligations hereunder.

## **12. TERMINATION**

- 12.1 Either Party shall have the right to terminate this Agreement by written notice to and without liability to the other Party if the other Party commits a material breach of its obligations hereunder provided, however, that in case of any breach which is capable of being cured, neither Party shall terminate this Agreement unless and until the other Party shall have failed to cure such default within thirty (30) days after it shall have been served with a written notice requiring that such default be cured and stating the sending Party's intention to terminate this Agreement if compliance with the notice to cure is not met.

- 12.2 Either Party shall have the right to terminate this Agreement by written notice to and without liability to the other Party if the other Party goes into liquidation, enters into composition proceedings with its creditors, makes a general assignment for the benefit of creditors or if a petition under bankruptcy or under any insolvency law is filed by or against the other Party and such petition filed by a third party is not dismissed within sixty (60) days after it has been filed.
- 12.3 Notwithstanding anything to the contrary, either Party may terminate this Agreement by written notice to and without liability to the other Party if any assignee, transferee, or successor of any right or obligation of the other Party under this Agreement is a direct competitor of the first Party.
- 12.4 Notwithstanding anything to the contrary, this Agreement shall be terminated upon the termination of the Franchise Agreement.
- 12.5 Where this Agreement is terminated pursuant to this Article 12:
- (i) Presotea Taiwan shall be released from the obligation to provide all Training; and
  - (ii) the Training Fee for Training already provided by Presotea Taiwan shall immediately become due and payable by Master Franchisee to Presotea Taiwan, by wire transfer, to any bank account designated by Presotea Taiwan, and all bank fees for such payment shall be borne by Master Franchisee; and
  - (iii) Presotea Taiwan shall refund to Master Franchisee the Training Fee for Training which has not been provided.
- 12.6 Except as expressly provided in this Agreement, termination of this Agreement shall not release either party from any obligation which has become due at the time of such termination.
- 12.7 The termination of this Agreement shall not affect or prejudice the effect of Articles 7, 8, 12, 13, 14, 15, 18, 20, 21, 22, and 23.

### **13. FORCE MAJEURE**

- 13.1 Neither Party shall be liable for non-performance or defective or late performance of any of their obligations hereunder to the extent and for such periods of time as such non-performance, defective or late performance is due to causes and/or conditions outside of the performing Party's reasonable control.

- 13.2 Causes and/or conditions outside of a Party's reasonable control shall include, but not be limited to, Acts of God, strikes and other labor disputes, fire, explosions, floods, earthquakes, typhoons, epidemics, wars (whether declared or undeclared), government acts (including failure to act)(de jure or de facto), riots, revolutions, sabotage or severe weather conditions which the Party claiming excuse could not have reasonable foreseen the effects of or made alternative arrangements for. Strikes and other labor disputes shall only be considered as causes and/or conditions outside of a Party's reasonable control if (i) such a strike is of a nationwide character affecting multiple manufacturers, as opposed to a strike affecting Presotea Taiwan only, (ii) Presotea Taiwan is not able to perform the obligations that Presotea Taiwan is precluded from as a result of such strike, and (iii) there are no reasonably available substitute for the labor or service to be provided by the strikers.
- 13.3 Should a delay caused by causes and/or conditions outside of a Party's reasonable control continue for more than three (3) months, either Party shall then have a right to terminate this Agreement upon reasonable advance notice to the other Party.
- 13.4 In the event this Agreement is terminated by either Party pursuant to this Article 13:
- (i) Presotea Taiwan shall be released from the obligation to provide all Training; and
  - (ii) the Training Fee for the Training already provided by Presotea Taiwan shall immediately become due and payable by Master Franchisee to Presotea Taiwan, by wire transfer, to any bank account designated by Presotea Taiwan, and all bank fees for such payment shall be borne by Master Franchisee; and
  - (iii) Presotea Taiwan shall refund to Master Franchisee the Training Fee for the Training which has not been provided.



**14. GENERAL LIMITATION OF LIABILITY**

14.1 NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER PARTY UNDER THIS AGREEMENT FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES. FOR THE PURPOSE OF THIS AGREEMENT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES SHALL INCLUDE, BUT NOT BE LIMITED TO, LOSS OF EQUIPMENT, LOSS OF USE, LOSS OF BUSINESS, LOSS OF INVESTMENT, LOSS OF REVENUE OR PROFIT, LOSS OF GOODWILL AND LOSS OF DATA. NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER PARTY ON ANY CLAIM ARISING UNDER THIS AGREEMENT FOR EXEMPLARY OR PUNITIVE DAMAGES.

THE LIMITATION OF LIABILITY PROVIDED FOR IN THIS ARTICLE 14.1 SHALL NOT APPLY WITH RESPECT TO DAMAGES RELATED TO A BREACH OF THE OBLIGATIONS UNDER ARTICLE 15.

14.2 No action, regardless of form, arising out of any alleged breach of this Agreement or obligations under this Agreement may be brought by either Party more than three (3) years after the cause of action has occurred.

14.3 Notwithstanding anything to the contrary, a Party's obligation to indemnify the other Party shall be limited to the amount of payment for the implicated Training.

**15. CONFIDENTIALITY**

15.1 From time to time during the performance of this Agreement, the Parties may deem it necessary to provide each other with Confidential Information. The Parties agree:

- (i) to maintain the confidentiality of such Confidential Information and not disclose the same to any third party, except as authorized by the original disclosing Party in writing. Such Confidential Information also includes oral and visual Confidential Information.
- (ii) to restrict disclosure of Confidential Information to employees who have a need to know. Such Confidential Information shall be handled with the same degree of care that the receiving Party applies to its own Confidential Information but in no event less than reasonable care.

- (iii) that Confidential Information is and shall at all times remain the property of the disclosing Party. No use of any Confidential Information is permitted except as otherwise provided herein and no grant under any proprietary rights is hereby given or intended.
- (iv) to use such Confidential Information only as required in performance of this Agreement.

15.2 Without derogating from the generality of the aforesaid, the receiving Party shall not (and shall not allow any third party to) (i) without the disclosing Party's prior and explicit authorization in writing, reverse engineer, disassemble, decompile, or attempt to reconstruct any machine or mechanical part provided to it by the disclosing Party, by any means whatsoever; (ii) use any part of disclosing Party's intellectual property for any purpose other than for the purposes of this Agreement; or (iii) copy any of the documents, machine or mechanical parts provided to it by the disclosing Party, develop any derivative works or make any enhancements, adaptations or translations thereof other than as expressly permitted under this Agreement or as explicitly authorized by the disclosing Party in advance and in writing.

15.3 This Article 15 shall continue to be binding on the Parties after the termination or expiration of this Agreement.

## **16. IP, TRADEMARK, PUBLICITY**

16.1 Nothing in this Agreement shall be construed as conveying any right, title or interest in or to the Intellectual Property Rights of any Party unless expressly provided.

16.2 Nothing in this Agreement shall be construed as conveying any right to use any name, trademark or other designation of any Party, including any contraction, abbreviation, or simulation of any of the foregoing, in advertising, publicity or marketing activities.

16.3 Any publicity or advertising with regard to this Agreement shall be mutually agreed upon prior to use.

**17. ASSIGNMENT**

The Agreement shall accrue to the benefit of and be binding upon the Parties hereto and any successor entity into which either Party shall have been merged or consolidated or to which either Party shall have sold or transferred all or substantially all its assets, but it shall not be otherwise assigned by either Party without the prior written consent of the other Party. The Parties agree that any consent to a requested assignment shall not be unreasonably withheld or delayed.

**18. NOTICES**

18.1 Notices or other communication required under this Agreement to be given by one Party to another in writing shall, unless expressly agreed otherwise, be in English language and shall be deemed properly given if and when personally delivered or sent by registered or certified mail to the address below, postage prepaid.

18.1.1 Notices to Master Franchisee shall be sent to the following:

[Master Franchisee]  
Attn:  
Fax No.:  
Tel No.:  
E-mail:

18.1.2 Notices to Presotea Taiwan shall be sent to the following:

Presotea Co., Ltd.  
Attn:  
Fax No:  
Tel No:  
E-mail:

18.2 Should any notice or other communication required under this Agreement to be given by one Party to another in writing is sent by fax, email or other electronic form, such notice or communication shall be deemed properly given only if and when acknowledged by mail, fax, email, or otherwise in writing by the recipient. The date of receipt of a notice or communication deemed properly given pursuant to this Article 18.2 shall be the date that its receipt is acknowledged by the recipient.

18.3 Either Party may from time to time, in writing to the other Party, change the addresses or fax numbers for giving notice.

**19. HEADINGS**

Headings used throughout this Agreement are used for convenience only and shall not affect the interpretation of this Agreement.

**20. NO WAIVER**

The failure of any Party to insist, in one or more instances, upon the performance of any of the terms or conditions of this Agreement, or to exercise any right hereunder, shall not be construed as a waiver or relinquishment of the future performance of any such terms or conditions or the future exercise of such right, and the obligation of the Parties with respect to such future performance shall continue in full force and effect.

**21. SEVERABILITY**

Whenever possible, each provision of this Agreement shall be construed in such a manner as to be effective and valid under the substantive laws of Taiwan, R.O.C.

**22. NO PARTNERSHIP**

Nothing in this Agreement shall create, or be deemed to create, a partnership or joint venture between the Parties.

**23. SETTLEMENT OF DISPUTES**

23.1 All disputes with respect to this Agreement shall be governed and construed in accordance with the laws of Taiwan, R.O.C.

23.2 Prior to filing any judicial or arbitration proceedings, the party intending to file such proceeding shall be required to notify the other party in writing of the existence and the nature of the dispute. Both Parties agree that within fifteen (15) working days of the other Party's receipt of such notice, both Parties shall meet at the place suggested by Presotea Taiwan and accepted by Master Franchisee, at the agreed date and time, to resolve the dispute amicably.

23.3 If a dispute related to the Agreement cannot be amicably resolved, such dispute shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (“**ICC**”) by one arbitrator appointed according to the ICC Rules. The place of arbitration shall be Taiwan, R.O.C. English shall be the official language of the arbitration. The arbitration award shall be final and binding upon the Parties and shall be enforceable in any court of competent jurisdiction.

**24. ENTIRE AGREEMENT**

24.1 This Agreement and the Agreement Documents constitute the entire understanding between the Parties concerning the subject matter hereof and supersede all prior discussions, agreements and representations, whether oral or written and whether or not executed by the Parties.

24.2 Each Party acknowledges that, in entering into this Agreement, it does not do so on the basis of or rely on any representation, warranty or other provision except as expressly provided in this Agreement.

**25. MODIFICATION OF AGREEMENT**

No modification, amendment or other change may be made to this Agreement or any part thereof unless in writing and executed by authorized representatives of both Parties.

**26. ORIGINALS OF AGREEMENT**

This Agreement has been made in two (2) originals of which the Parties have taken one (1) each.

Date: ..... Date: .....

Place: ..... Place:  
.....

[Master Franchisee] Presotea Co., Ltd.

Signature: ..... Signature:  
.....

Name: Name:  
Title: Title:



## **ANNEX A – AGREEMENT DEFINITIONS**

As used throughout the Agreement Documents:

**Agreement** means the Agreement Documents as well as any amendments or addenda that may subsequently be agreed upon in writing between the Parties.

**Agreement Documents** means the documents set forth in Article 4.

**Agreement Effective Date** means the date when duly authorized representatives from both Parties have signed the Agreement.

**Business Day** means a day other than a Saturday, Sunday or a public holiday, on which banks are open for the transaction of general banking business in Taiwan and the Franchised Area.

### **Confidential Information**

Any and all information communicated between the Parties is Confidential Information except for information which the recipient had in its possession without confidential limitation prior to disclosure, which is independently developed by either Party, which is known or becomes known to the general public without breach of this Agreement or which is received rightfully and without confidential limitation from a third party.

Confidential Information may be in the form of designs, plans, samples, equipment, reports, subscriber lists, pricing information, performance reports, studies, drawings, schedules, specifications, technical data, data bases, software, documentation, and correspondence between the Parties.

**Franchised Area** means the state of Wisconsin of the United States of America.

**ICC** means the International Chamber of Commerce.

**Intellectual Property Rights** means rights in and to all (a) Patents, (b) copyrights, (c) unpatented information, trade secrets, data, or materials, and (d) any other intellectual or other proprietary rights of any kind now known or hereafter recognized in any jurisdiction.

**Training** means the Training to be provided to Master Franchisee by Presotea Taiwan under this Agreement.

**Training Fee** means the fees payable to Presotea Taiwan by Master Franchisee for the Training provided under this Agreement.

**Unless the context otherwise requires, the terms defined above shall have the meanings therein specified for all purposes of this Agreement or the Franchise Agreement, applicable to both singular and plural forms of any of the terms defined therein.**



**EXHIBIT "G"**  
**TO**  
**MASTER FRANCHISE AGREEMENT**

**SERVICE AGREEMENT**

**between**

**[Master Franchisee]**

**and**

**Presotea Co., Ltd.**

**For the Provision of**

**Services**

## SERVICE AGREEMENT

### 1. RECITALS

**Whereas** [ ] (“**Master Franchisee**”) is a company incorporated under the laws of the state of \_\_\_\_\_[state], the United States of America, and

**Whereas** Presotea Co., Ltd. (“**Service Provider**”) is a company incorporated under the laws of Taiwan, the Republic of China and experienced in operating and managing of a Taiwanese delicacy drink business, and

**Whereas** under a Master Franchise Agreement (“**Franchise Agreement**”) entered into by Master Franchisee and Service Provider’s affiliate Presotea (USA) Co. Ltd. on \_\_\_\_\_<date of Franchise Agreement>, Service Provider has granted Master Franchisee a franchise to open and operate Presotea Shops in the Franchised Area, and

**Whereas** in order to ensure the satisfactory performance of the Franchise Agreement, both Master Franchisee and Service Provider desire that Service Provider provides services auxiliary to the Franchise Agreement on the terms and conditions set out in this Agreement, and

**Now, therefore**, in consideration of the mutual obligations herein contained, Master Franchisee and Service Provider agree as follows:

### 2. PARTIES

This Agreement is entered into between

[Master Franchisee], a company incorporated under the laws of the state of [state], the United States of America with its principal office at [ ] .

and

Presotea Co., Ltd., a company incorporated under the laws of the Republic of China with its principal office at No. 3 Fuxing Street, Tucheng District, New Taipei City, Taiwan, R.O.C.

Master Franchisee and Service Provider are hereinafter called, individually, the “**Party**” or, collectively, the “**Parties**”.

### 3. **DEFINITIONS**

- 3.1 Any and all terms used herein are defined in Annex A hereto and shall have the meanings therein specified for all purposes of this Agreement. Any terms not defined hereto shall be as defined under the Franchise Agreement.
- 3.2 If an event under this Agreement must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.
- 3.3 Whenever the word “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”.

### 4. **AGREEMENT DOCUMENTS**

- 4.1 The following documents (“**Agreement Documents**”), as amended from time to time, constitute the Agreement:
1. This main body of this Agreement
  2. Annex A Agreement Definitions
  3. Annex B Service Scope
- 4.2 In the event of any inconsistency between the Agreement Documents, the inconsistency shall be resolved by giving precedence to the Agreement Documents in the order in which they are listed above.

### 5. **SCOPE OF AGREEMENT**

- 5.1 Upon the terms and conditions set forth in this Agreement, in relation to the services to be provided under the Franchise Agreement, Service Provider hereby agrees to make available to Master Franchisee such services (“**Services**”) as described in Annex B. The specific Services to be provided by the Service Provider for each separate project (“**Project Service**”) shall be separately mutually agreed in writing by the Parties on a project-by-project basis.
- 5.2 In consideration of a Project Service provided by Service Provider pursuant to this Agreement, Master Franchisee shall pay Service Provider the service fee for each Project, in the amount as mutually agreed between the Parties in writing on a project-by-project basis (“**Project Service Fee**”).
- 5.3 For the avoidance of doubt, Service Provider may at its own discretion engage such contractor as reasonably qualified for the provision of the Services to perform the Services under the supervision of Service Provider.

## **6. TERM OF THIS AGREEMENT**

- 6.1 This Agreement shall become effective and come into force upon its execution by duly authorized representatives of both Parties, the date of which shall be the “**Agreement Effective Date**”.
- 6.2 This Agreement shall expire upon the termination of the Franchise Agreement.

## **7. TAXES**

- 7.1 All Project Service Fees shall include any and all taxes, duties and levies imposed, levied or assessed in the Franchised Area.
- 7.2 If in accordance with present or future laws in the Franchised Area, Service Provider shall be obliged to pay, or Master Franchisee obliged to deduct from any payment to Service Provider, any amount with respect to any taxes or dues levied in the Franchised Area, Master Franchisee shall increase the payment to Service Provider by an amount to cover such payment by Service Provider or deduction by Master Franchisee.
- 7.3 Master Franchisee shall in no event be responsible for any income tax on any personnel of Service Provider.

## **8. PAYMENT AND INVOICING TERMS**

- 8.1 Fifty (50%) of each Project Service Fee shall be made to Presotea Taiwan in full prior to the Service provision on each Project; the remaining fifty (50%) balance of each Project Service Fee shall be paid to Presotea Taiwan within thirty (30) days after completion of the Service on each Project.
- 8.2 Any overdue payments arising from this Agreement shall carry an interest at a rate of two percent (2%) per month.
- 8.3 All payments due under this Agreement shall be made in United States Dollars (USD).
- 8.4 All payments due under this Agreement shall be made by wire transfer to an account designated by the Service Provider on the invoice for such payment, or where an invoice is not issued, in a written request for such payment, and all bank fees for the wire transfer for any payment due hereunder shall be borne by the Master Franchisee.

## **9. COOPERATION BY MASTER FRANCHISEE**

9.1 Master Franchisee shall make best efforts to cause any and all contractors and employees of Master Franchisee to fully comply with the instructions given by Service Provider.

**10. REPRESENTATIONS OF SERVICE PROVIDER**

Service Provider hereby represents and warrants to Master Franchisee that:

- (i) Service Provider is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, with full corporate power and authority under its certificate or articles of organization and regulations to own and lease its properties and to conduct its business as the same exists; and
- (ii) Service Provider has full corporate power and authority under its certificate or articles of organization and regulations, and its directors and shareholders have taken all necessary action to authorize it to execute and deliver this Agreement and any annexure and exhibits hereto, to consummate the transactions contemplated herein and to take all actions required to be taken by it pursuant to the provisions hereof or thereof; and
- (iii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein or therein, does or will violate, conflict with or result in breach of, or require notice or consent under any law, the articles of incorporation of Service Provider or any provision of any agreement or instrument to which Service Provider is a party; and
- (iv) there are no pending or threatened judicial or administrative actions, proceedings or investigations which question the validity of this Agreement or any action taken or contemplated by Service Provider in connection with this Agreement; and
- (v) Service Provider has obtained all necessary business licenses, permits, consents, releases and authorizations to perform its obligations hereunder.

**11. REPRESENTATIONS OF MASTER FRANCHISEE**

Master Franchisee hereby represents and warrants to Service Provider that:

- (i) Master Franchisee is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation with full corporate power and authority under its articles of incorporation and bylaws to own and lease its properties and to conduct its business as the same exists. Master Franchisee is duly qualified to do business as a foreign corporation in all states or jurisdictions in which the nature of its business requires such qualification, except where the failure to be so qualified would not have an adverse effect on such party; and
- (ii) Master Franchisee has full corporate power and authority under its articles of incorporation and bylaws, and its directors and shareholders have taken all necessary action to authorize it to execute and deliver this Agreement and any annexure and exhibits hereto, to consummate the transactions contemplated herein and to take all actions required to be taken by it pursuant to the provisions hereof, and each of this Agreement and any exhibits hereto constitutes the valid and binding obligations of Master Franchisee, enforceable in accordance with its terms, except as enforceability may be limited by general equitable principles, bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally; and
- (iii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated herein or therein, does or will violate, conflict with, result in breach of or require notice or consent under any law, the articles of incorporation of Master Franchisee or any provision of any agreement or instrument to which Master Franchisee is a party; and
- (iv) there are no pending or threatened judicial or administrative actions, proceedings or investigations which question the validity of this Agreement or any action taken or contemplated by Master Franchisee or in connection with this Agreement; and
- (v) Master Franchisee has obtained all necessary business licenses, permits, consents, releases and authorizations to perform its obligations hereunder.

## 12. VARIATION OF SERVICES

- 12.1 Each Party shall appoint in writing to the other Party a representative for the appointing Party to act as a manager for each Project ("**Project Manager**") in respect of the matters under this Agreement.

- 12.2 The Project Managers shall, within the thirty (30) Business Days of the date on which each Project is agreed by the Parties, (i) discuss the nature and scope of Services to be provided by Service Provider under each Project, and (ii) to agree on any change to the nature and scope of Services that is necessary.
- 12.3 Where any change to the nature and scope of Services is agreed on pursuant to Article 12.2, Annex B to this Agreement shall be amended and replaced so as to reflect such change.
- 12.4 Except as otherwise agreed by the Parties or otherwise provided in this Agreement, neither Party shall be liable for any payment or be entitled to the reduction or refund of any payment by reason of any change to the nature and scope of Services made pursuant to this Article 12.

### **13. TERMINATION**

- 13.1 Either Party shall have the right to terminate this Agreement by written notice to and without liability to the other Party if the other Party commits a material breach of its obligations hereunder provided, however, that in case of any breach which is capable of being cured, neither Party shall terminate this Agreement unless and until the other Party shall have failed to cure such default within thirty (30) days after it shall have been served with a written notice requiring that such default be cured and stating the sending Party's intention to terminate this Agreement if compliance with the notice to cure is not met.
- 13.2 Either Party shall have the right to terminate this Agreement by written notice to and without liability to the other Party if the other Party goes into liquidation, enters into composition proceedings with its creditors, makes a general assignment for the benefit of creditors or if a petition under bankruptcy or under any insolvency law is filed by or against the other Party and such petition filed by a third party is not dismissed within sixty (60) days after it has been filed.
- 13.3 Notwithstanding anything to the contrary, either Party may terminate this Agreement by written notice to and without liability to the other Party if any assignee, transferee, or successor of any right or obligation of the other Party under this Agreement is a direct competitor of the first Party.
- 13.4 Notwithstanding anything to the contrary, this Agreement shall be terminated upon the termination of the Franchise Agreement.
- 13.5 Where this Agreement is terminated pursuant to this Article 13:

- (i) Presotea Taiwan shall be released from the obligation to provide all Services; and
- (ii) the Project Service Fee for which the Project Service has been provided shall immediately become due and payable by Master Franchisee to Presotea Taiwan, by wire transfer, to any bank account designated by Presotea Taiwan, and all bank fees for such payment shall be borne by Master Franchisee; and
- (iii) Presotea Taiwan shall refund to Master Franchisee the Project Service Fee for Project Service which has not been provided.

13.6 The termination of this Agreement shall not affect or prejudice the effect of Articles 7, 8, 13, 14, 15, 16, 17, 18,19, 20, 22, 23, 24 and 25.

#### **14. FORCE MAJEURE**

14.1 Neither Party shall be liable for non-performance or defective or late performance of any of their obligations hereunder to the extent and for such periods of time as such non-performance, defective or late performance is due to causes and/or conditions outside of the performing Party's reasonable control.

14.2 Causes and/or conditions outside of a Party's reasonable control shall include, but not be limited to, Acts of God, strikes and other labor disputes, fire, explosions, floods, earthquakes, typhoons, epidemics, wars (whether declared or undeclared), government acts (including failure to act) (de jure or de facto), riots, revolutions, sabotage or severe weather conditions which the Party claiming excuse could not have reasonable foreseen the effects of or made alternative arrangements for. Strikes and other labor disputes shall only be considered as causes and/or conditions outside of a Party's reasonable control if (i) such a strike is of a nationwide character affecting multiple manufacturers, as opposed to a strike affecting Service Provider only, (ii) Service Provider is not able to perform the obligations that Service Provider is precluded from as a result of such strike, and (iii) there are no reasonably available substitute for the labor or service to be provided by the strikers.

14.3 Should a delay caused by causes and/or conditions outside of a Party's reasonable control continue for more than three (3) months, either Party shall then have a right to terminate this Agreement upon reasonable advance notice to the other Party.

14.4 In the event this Agreement is terminated by either Party pursuant to



this Article 14:

- (i) Presotea Taiwan shall be released from the obligation to provide all Services; and
- (ii) the Project Service Fee for which the Project Service has been provided shall immediately become due and payable by Master Franchisee to Presotea Taiwan, by wire transfer, to any bank account designated by Presotea Taiwan, and all bank fees for such payment shall be borne by Master Franchisee; and
- (iii) Presotea Taiwan shall refund to Master Franchisee the Project Service Fee for Project Service which has not been provided.

## **15. INDEMNIFICATION**

15.1 Subject to Article 16 and except as expressly provided in this Agreement, each Party (the “**Indemnifying Party**”) agrees to indemnify and hold the other Party (the “**Indemnified Party**”) harmless from and against:

- (i) all damage or injury to property or person belonging to or employed by the Indemnifying Party resulting from the intentional or negligent acts or omissions from the Indemnifying Party or the officers, agents, employees or contractors of the Indemnifying Party in connection with the performance of this Agreement or a breach of this Agreement, and
- (ii) all liabilities to third parties and all losses incurred in connection with claims by third parties (including without limitation, all losses, claims, demands and damages) resulting from the intentional or negligent acts or omissions from the Indemnifying Party or the officers, agents, employees or contractors of the Indemnifying Party in connection with the performance of this Agreement or a breach of this Agreement.

15.2 The Party seeking an indemnity pursuant to this Article 15 shall not do or refrain from doing anything which may prejudice the rights of the other Party without that the prior consent of the other Party.

**16. GENERAL LIMITATION OF LIABILITY**

16.1 NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER PARTY UNDER THIS AGREEMENT FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES. FOR THE PURPOSE OF THIS AGREEMENT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES SHALL INCLUDE, BUT NOT BE LIMITED TO, LOSS OF EQUIPMENT, LOSS OF USE, LOSS OF BUSINESS, LOSS OF INVESTMENT, LOSS OF REVENUE OR PROFIT, LOSS OF GOODWILL AND LOSS OF DATA. NEITHER PARTY SHALL IN ANY EVENT BE LIABLE TO THE OTHER PARTY ON ANY CLAIM ARISING UNDER THIS AGREEMENT FOR EXEMPLARY OR PUNITIVE DAMAGES.

THE LIMITATION OF LIABILITY PROVIDED FOR IN THIS ARTICLE 16.1 SHALL NOT APPLY WITH RESPECT TO DAMAGES RELATED TO A BREACH OF THE OBLIGATIONS UNDER ARTICLE 17.

16.2 No action, regardless of form, arising out of any alleged breach of this Agreement or obligations under this Agreement may be brought by either Party more than three (3) years after the cause of action has occurred.

16.3 Notwithstanding anything to the contrary, a Party's obligation to indemnify the other Party under Article 15 for each Project in question shall be limited to the amount the Project Service Fee for such Project.

**17. CONFIDENTIALITY**

17.1 From time to time during the performance of this Agreement, the Parties may deem it necessary to provide each other with Confidential Information. The Parties agree:

(i) to maintain the confidentiality of such Confidential Information and not disclose the same to any third party, except as authorized by the original disclosing Party in writing. Such Confidential Information also includes oral and visual Confidential Information.

(ii) to restrict disclosure of Confidential Information to employees who have a need to know. Such Confidential Information shall be handled with the same degree of care that the receiving Party applies to its own Confidential Information but in no event less than reasonable care.

- (iii) that Confidential Information is and shall at all times remain the property of the disclosing Party. No use of any Confidential Information is permitted except as otherwise provided herein and no grant under any proprietary rights is hereby given or intended.
  - (iv) to use such Confidential Information only as required in performance of this Agreement.
- 17.2 Without derogating from the generality of the aforesaid, the receiving Party shall not (and shall not allow any third party to) (i) without the disclosing Party's prior and explicit authorization in writing, reverse engineer, disassemble, decompile, or attempt to reconstruct any machine or mechanical part provided to it by the disclosing Party, by any means whatsoever; (ii) use any part of disclosing Party's intellectual property for any purpose other than for the purposes of this Agreement; or (iii) copy any of the documents, machine or mechanical parts provided to it by the disclosing Party, develop any derivative works or make any enhancements, adaptations or translations thereof other than as expressly permitted under this Agreement or as explicitly authorized by the disclosing Party in advance and in writing.
- 17.3 This Article 17 shall continue to be binding on the Parties for a period of five (5) years after the termination or expiration of this Agreement.

**18. IP, TRADEMARK, PUBLICITY**

- 18.1 Nothing in this Agreement shall be construed as conveying any right, title or interest in or to the Intellectual Property Rights of any Party unless expressly provided.
- 18.2 Nothing in this Agreement shall be construed as conveying any right to use any name, trademark or other designation of any Party, including any contraction, abbreviation, or simulation of any of the foregoing, in advertising, publicity or marketing activities.
- 18.3 Any publicity or advertising with regard to this Agreement shall be mutually agreed upon prior to use.

**19. ASSIGNMENT**

The Agreement shall accrue to the benefit of and be binding upon the Parties hereto and any successor entity into which either Party shall have been merged or consolidated or to which either Party shall have sold or transferred all or substantially all its assets, but it shall not be otherwise assigned by either Party without the prior written consent of the other Party. The Parties agree that any consent to a requested assignment shall not be unreasonably withheld or delayed.

**20. NOTICES**

20.1 Notices or other communication required under this Agreement to be given by one Party to another in writing shall, unless expressly agreed otherwise, be in English language and shall be deemed properly given if and when personally delivered or sent by registered or certified mail to the address below, postage prepaid.

20.1.1 Notices to Master Franchisee shall be sent to the following:

[Master Franchisee]  
Attn:  
Fax No.:  
Tel No.:  
e-mail:

20.1.2 Notices to Service Provider shall be sent to the following:

Presotea Co., Ltd.  
Attn:  
Fax No:  
Tel No:  
e-mail:

20.2 Should any notice or other communication required under this Agreement to be given by one Party to another in writing is sent by fax, email or other electronic form, such notice or communication shall be deemed properly given only if and when acknowledged by mail, fax, email, or otherwise in writing by the recipient. The date of receipt of a notice or communication deemed properly given pursuant to this Article 20.2 shall be the date that its receipt is acknowledged by the recipient.

20.3 Either Party may from time to time, in writing to the other Party, change the addresses or fax numbers for giving notice.

**21. HEADINGS**

Headings used throughout this Agreement are used for convenience only and shall not affect the interpretation of this Agreement.

**22. NO WAIVER**

The failure of any Party to insist, in one or more instances, upon the performance of any of the terms or conditions of this Agreement, or to exercise any right hereunder, shall not be construed as a waiver or relinquishment of the future performance of any such terms or conditions or the future exercise of such right, and the obligation of the Parties with respect to such future performance shall continue in full force and effect.

**23. SEVERABILITY**

Whenever possible, each provision of this Agreement shall be construed in such a manner as to be effective and valid under the substantive laws of Taiwan, R.O.C.

**24. NO PARTNERSHIP**

Nothing in this Agreement shall create, or be deemed to create, a partnership or joint venture between the Parties.

**25. SETTLEMENT OF DISPUTES**

25.1 All disputes with respect to this Agreement shall be governed and construed in accordance with the laws of Taiwan, R.O.C.

25.2 Prior to filing any judicial or arbitration proceedings, the party intending to file such proceeding shall be required to notify the other party in writing of the existence and the nature of the dispute. Both Parties agree that within fifteen (15) working days of the other party's receipt of such notice, both Parties shall meet at the place suggested by Franchisor and accepted by Master Franchisee, at the agreed date and time, to resolve the dispute amicably.

25.3 If a dispute related to the Agreement cannot be amicably resolved, such dispute shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (“**ICC**”) by one arbitrator appointed according to the ICC Rules. The place of arbitration shall be Taiwan, R.O.C. English shall be the official language of the arbitration. The arbitration award shall be final and binding upon the Parties and shall be enforceable in any court of competent jurisdiction.

**26. ENTIRE AGREEMENT**

26.1 This Agreement and the Agreement Documents constitute the entire understanding between the Parties concerning the subject matter hereof and supersede all prior discussions, agreements and representations, whether oral or written and whether or not executed by the Parties.

26.2 Each Party acknowledges that, in entering into this Agreement, it does not do so on the basis of or rely on any representation, warranty or other provision except as expressly provided in this Agreement.

**27. MODIFICATION OF AGREEMENT**

No modification, amendment or other change may be made to this Agreement or any part thereof unless in writing and executed by authorized representatives of both Parties.

**28. ORIGINALS OF AGREEMENT**

This Agreement has been made in two (2) originals of which the Parties have taken one (1) each.

Date: .....

Date: .....

Place: .....  
.....

Place:

[Master Franchisee]

Presotea Co., Ltd.

Signature: .....  
.....

Signature:

Name:  
Title:

Name:  
Title:



## **ANNEX A – AGREEMENT DEFINITIONS**

Unless otherwise defined in this Agreement, as used throughout the Agreement Documents:

**Agreement** means the Agreement Documents as well as any amendments or addenda that may subsequently be agreed upon in writing between the Parties.

**Agreement Documents** means the documents set forth in Article 4.

**Agreement Effective Date** means the date when duly authorized representatives from both Parties have signed the Agreement.

**Business Day** means a day other than a Saturday, Sunday or a public holiday, on which banks are open for the transaction of general banking business in Taiwan and the Franchised Area.

### **Confidential Information**

Any and all information communicated between the Parties is Confidential Information except for information which the recipient had in its possession without confidential limitation prior to disclosure, which is independently developed by either Party, which is known or becomes known to the general public without breach of this Agreement or which is received rightfully and without confidential limitation from a third party.

Confidential Information may be in the form of designs, plans, samples, equipment, reports, subscriber lists, pricing information, performance reports, studies, drawings, schedules, specifications, technical data, data bases, software, documentation, and correspondence between the Parties.

**Franchised Area** means the state of Wisconsin of the United States of America.

**ICC** means the International Chamber of Commerce.

**Intellectual Property Rights** means rights in and to all (a) Patents, (b) copyrights, (c) unpatented information, trade secrets, data, or materials, and (d) any other intellectual or other proprietary rights of any kind now known or hereafter recognized in any jurisdiction.

**Project** means the specific Service(s) required from the Service Provider as separately agreed by the Parties from time to time.



**Project Service Fee** means the fees payable to Service Provider by Master Franchisee for each Project under this Agreement, as separately agreed by the Parties from time to time for each Project.

**Services** means the services made available to Master Franchisee by Service Provider under this Agreement as described in Annex B.

Unless the context otherwise requires, the terms defined above shall have the meanings therein specified for all purposes of this Agreement or the Franchise Agreement, applicable to both singular and plural forms of any of the terms defined therein.

## **ANNEX B – SCOPE OF SERVICES**

[Include all Services to be made available to Master Franchisee for this Agreement]

EXHIBIT "H"  
TO  
MASTER FRANCHISE AGREEMENT

SUPPLY AGREEMENT

This Supply Agreement, hereinafter referred to as "**Agreement**", is entered into and made effective as of the date set forth at the end of this document by and between the following parties:

Presotea Co. Ltd, a Corporation, incorporated under the laws of Taiwan, the Republic of China (R.O.C.), having its principal place of business at the following address:

[No. 3 Fuxing Street, Tucheng District, New Taipei City, Taiwan, R.O.C.]

and \_\_\_\_\_, a company incorporated under the laws of the state of \_\_\_\_\_, U.S.A., having its principal place of business at the following address:

[insert address]

Hereinafter, "**Seller**" will refer to and be used to describe the following party: Presotea Co. Ltd. "**Buyer**" will refer to and be used to describe the following party: \_\_\_\_\_. Seller and Buyer may be referred to individually as "**Party**" and collectively as the "**Parties**".

**RECITALS:**

*WHEREAS, Seller wishes to offer for sale products, inventory, equipment, fixtures, furnishings, signs, advertising materials, trademarked items and novelties, and other items set forth in **Exhibit A** (the "**Goods**"), as defined below;*

*WHEREAS, Buyer wishes to buy such Goods from Seller;*

*NOW, therefore, in consideration of the promises and covenants contained herein, as well as other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Parties do hereby agree as follows:*

**Article 1 - SALE:**

Seller hereby agrees to sell, and Buyer agrees to buy the Good as the prices quoted by Seller, upon the terms and conditions set forth in this Agreement.

Buyer shall place orders for the Goods in writing on Seller's purchase order forms. Each order shall designate the item, quantity, delivery date (based on reasonable lead time), shipping instructions and destination. Orders shall not be binding upon Seller or Buyer until Seller's written confirmation has been received by Buyer.

## **Article 2 - PRICE:**

Buyer shall purchase the Goods from Seller at the price(s) (the “**Price(s)**”) set forth in **Exhibit A**. All Prices are exclusive of all sales, use and excise tax, and any other applicable taxes, duties and charges of any kind imposed by any governmental authority located in the destinations (or multiple destinations) where the Goods will be delivered, on any amounts payable on the transaction Price(s). Buyer shall be responsible for all such charges, costs, and taxes; provided, that, Buyer shall not be responsible for any taxes imposed on, or with respect to, Seller’s income, revenues, gross receipts, personnel or real or personal property or other assets as levied by the jurisdiction in which Seller located.

Buyer shall pay in advance 50% of the invoiced Price amount prior to any shipment as deposit (“**Deposit**”). Within seven (7) business days after Buyer confirms the order, Seller will prepare the Goods and the delivery thereof upon receiving Buyer’s Deposit. Buyer understands and agrees that the shipment will not be made unless and until Seller receives the Deposit in full. The Deposit is not refundable.

## **Article 3 - INVOICING & PAYMENT:**

Buyer shall pay all invoiced amounts due to Seller within seven (7) business days from the date of Seller’s invoice. Buyer shall make all payments hereunder by wire transfer to Seller’s designated account. Buyer shall pay interest on all late payments at the rate of 2% per month, calculated daily and compounded monthly. Buyer shall reimburse Seller for all costs incurred in collecting any late payments, including, without limitation, attorneys’ fees.

## **Article 4 - DELIVERY:**

The initial shipment of Goods will be delivered from the Seller to the Buyer within sixty (60) days after the date of order, subject to the availability of the finished Goods. Seller shall not be liable for any delays, loss or damage in transit.

The execution for delivery of the Goods will be at Buyer’s address, as listed at the head of this Agreement or any other business location designated by Buyer before shipment.

In case Buyer requires emergency delivery of the Goods via air or by ways other than as agreed upon in the Agreement, any costs incurred shall be solely borne by Buyer. Buyer shall also pay the total amount of the Goods before Seller prepares the Goods.

## **Article 5 - RISK OF LOSS:**

All Goods are sold under this Agreement by Incoterm Ex Works (EXW). Risk of loss for the Goods will transfer from the Seller to the Buyer, and Buyer shall become responsible for all costs of shipment and risks related to the Goods, commencing when the Seller makes the Goods available at Seller’s warehouse.

Buyer shall be responsible for obtaining any necessary import licenses for the import of the Goods into the United States. Both parties shall promptly provide one another any information reasonably required by the other in order to lawfully import the Goods into the United States.

#### **Article 6 - TIME FOR DELIVERY:**

Notwithstanding any delivery provision to the contrary, any dates or times specified for delivery of the shipments of the Goods are estimates only and time shall not be of the essence for delivery. Seller shall not be liable for any losses, expenses, or damages for failure to meet any delivery date or time.

#### **Article 7 - DISCLAIMER OF WARRANTY:**

Buyer and Seller each agree that the Goods are being sold "as is" and that Seller hereby expressly disclaims any and all warranties of quality, whether express or implied, including but not limited to the warranties of merchantability and fitness for a particular purpose. Buyer acknowledges that it is relying solely on its own investigations, inspections and/or examinations and has not been induced by the Seller or any of Seller's agents or representatives making any statements as to the quality or condition of the Goods.

#### **Article 8 - INSPECTION:**

- (a) Buyer acknowledges and agrees that it will make a full inspection, investigation and/or examination of the Goods as soon as is practicable upon delivery but in no event later than seven (7) business days ("**Inspection Period**"). Buyer will be deemed to have accepted the Goods unless it notifies Seller in writing of any Nonconforming Goods within the Inspection Period. "**Nonconforming Goods**" means only the following: (i) product shipped is different than identified in this Agreement; or (ii) product's label or packaging incorrectly identifies its content.
- (b) If Buyer timely notifies Seller of any Nonconforming Goods, Seller shall, in its sole discretion, (i) replace such Nonconforming Goods with conforming Goods or (ii) credit or refund the Price for such Nonconforming Goods. Buyer shall ship, at its expense and risk of loss, the Nonconforming Goods to Seller's designated address. If Seller exercises its option to replace Nonconforming Goods, Seller shall, after receiving Buyer's shipment of Nonconforming Goods, ship to Buyer, at Buyer's expense and risk of loss, the replaced Goods to the designated location.
- (c) Buyer acknowledges and agrees that the remedies set forth above are Buyer's exclusive remedies for the delivery of Nonconforming Goods. Except as provided above, all sales of Goods to Buyer are made on a one-way basis and Buyer has no right to return Goods purchased under this Agreement to Seller.

#### **Article 9- WARRANTIES:**

- (a) Seller makes no warranty whatsoever with respect to the Goods, including any (i) warranty of merchantability; or (ii) warranty of fitness for a particular purpose; whether express or implied by law, course of dealing, course of performance, usage of trade or otherwise.
- (b) Products manufactured by a third party ("**Third Party Product**") may constitute, contain, be contained in, incorporated into, attached to or packaged together with, the Goods. For the avoidance of doubt, Seller makes no representations or warranties with respect to any Third Party Product, including any (i) warranty of merchantability warranty of fitness for a particular purpose; (iii) warranty of title; or (iv) warranty against infringement of intellectual property rights of a third party; whether express or implied by law, course of dealing, course of performance, usage of trade or otherwise.

**Article 10- COMPLIANCE WITH LAW:**

Buyer is compliance with and shall comply with all applicable laws, regulations and ordinances. Buyer has and shall maintain in effect all the licenses, permissions, authorizations, consents and permits that it needs to carry out its obligations under this Agreement.

**Article 11- INDEMNIFICATION:**

Buyer shall indemnify, defend and hold harmless Seller and its officers, directors, employees, agents, affiliates, successors and permitted assigns (collectively, “**Indemnified Parties**”) against any all losses, damages, liabilities, deficiencies, claims actions, judgments, settlements, interest, awards, penalties, fines, costs or expenses of whatever kind, including attorneys’ fees and the costs of enforcing any right to indemnification under this Agreement, and the cost of pursuing any insurance providers, relating to or arising out of or resulting from any claim of a third party or Seller arising out of or occurring in connection with the Goods purchased from Seller or Buyer’s negligence, willful misconduct or breach of this Agreement. Buyer shall not enter into any settlement without Seller’s or Indemnified Party’s prior written consent.

**Article 12 - LIMITATION OF LIABILITY:**

- (a) IN NO EVENT SHALL SELLER BE LIABLE FOR ANY CONSEQUENTIAL, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR ENHANCED DAMAGES, LOST PROFITS OR REVENUES OR DIMINUTION IN VALUE, ARISING OUT OF, OR RELATING TO, AND/OR IN CONNECTION WITH ANY BREACH OF THIS AGREEMENT, REGARDLESS OF (i) WHETHER SUCH DAMAGES WERE FORESEEABLE, (ii) WHETHER OR NOT SELLER WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, (iii) THE LEGAL OR EQUITABLE THEORY (CONTRACT, TORT, OR OTHERWISE) UPON WHICH THE CLAIM IS BASED, AND (iv) THE FAILURE OF ANY AGREED OR OTHER REMEDY OF ITS ESSENTIAL PURPOSE.
- (b) IN NO EVENT SHALL SELLER’S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER ARISING OUT OF OR RELATED TO BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE, EXCEED THE TOTAL OF THE AMOUNTS PAID TO SELLER FOR THE GOODS SOLD HEREUNDER FOR THE PURCHASE ORDER IN QUESTION.

**Article 13 - SECURITY INTEREST & TITLE:**

Buyer hereby grants Seller a security interest in the Goods until the full Price has been received by the Seller. This security interest includes any proceeds, including accounts receivable, obtained. If Seller requests, Buyer shall execute and deliver any document required to perfect this security interest.

Title to the Goods will remain with the Seller until the full Price is received and Buyer is in actual physical possession of the Goods or until Seller delivers a duly executed bill of lading to the Buyer.

#### **Article 14 - CLAIMS:**

The Buyer's failure to give notice of any claim within 5 days from the date of delivery of the Goods will constitute complete and total acceptance of the Goods and Buyer will therefore waive any and all claims regarding or related to the Goods.

#### **Article 15 – TERMINATION:**

In addition to any remedies that may be provided in this Agreement, Seller may terminate this Agreement with immediate effect upon written notice to Buyer, if Buyer (a) fails to pay any amount when due under this Agreement; (b) has not otherwise performed or complied with any of the terms of this Agreement, in whole or in part; or (c) becomes insolvent, files a petition for bankruptcy or commences or has commenced against it proceedings relating to bankruptcy, receivership, reorganization or assignment for the benefit of creditors.

#### **Article 16 – CONFIDENTIAL INFORMATION:**

All non-public, confidential or proprietary information of Seller, including, but not limited to, specifications, samples, patterns, designs, plans, drawings, documents, data, business operations, customer lists, pricing, discounts or rebates, disclosed by Seller to Buyer, whether disclosed orally or disclosed or accessed in written, electronic or other form or media, and whether or not marked, designated, or otherwise identified as “confidential”, in connection with this Agreement is confidential, solely for the use of performing this Agreement and may not be disclosed or copied unless authorized by Seller in writing. Upon Seller’s request, Buyer shall promptly return all documents and other materials received from Seller. Seller shall be entitled to injunctive relief for any violation of this Article. This Article shall not apply to information that is: (a) in the public domain; (b) known to the Buyer at the time of disclosure; or (c) rightfully obtained by the Buyer on a non-confidential basis from a third party.

#### **Article 17 - GENERAL PROVISIONS:**

- (a) **GOVERNING LAW:** This Agreement shall be governed in all respects by the laws of Taiwan, R.O.C.
- (b) **DISPUTE RESOLUTION:** If a dispute related to the Agreement cannot be amicably resolved, such dispute shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (“**ICC**”) by one arbitrator appointed according to the ICC Rules. The place of arbitration shall be Taiwan, R.O.C. English shall be the official language of the arbitration. The arbitration award shall be final and binding upon the Parties and shall be enforceable in any court of competent jurisdiction.
- (c) **LANGUAGE:** All communications made or notices given pursuant to this Agreement shall be in the English language.

- (d) **SURVIVAL:** Subject to the limitations and other provisions of this Agreement: (a) the representations and warranties of the Parties contained herein shall survive the expirations or earlier termination of this Agreement; and (b) Article 11 and Article 16 of this Agreement, as well as any other provision that, in order to give proper effect to its intent, should survive such expiration or termination, shall survive the expiration or earlier termination of this Agreement.
- (e) **ASSIGNMENT:** This Agreement, or the rights granted hereunder, may not be assigned, sold, leased or otherwise transferred in whole or part by either Party.
- (f) **AMENDMENTS:** This Agreement may only be amended in writing signed by both Parties; however, Exhibit A may be amended by Seller from time to time.
- (g) **NO WAIVER:** None of the terms of this Agreement shall be deemed to have been waived by any act or acquiescence of either Party. Only an additional written agreement can constitute waiver of any of the terms of this Agreement between the Parties. No waiver of any term or provision of this Agreement shall constitute a waiver of any other term or provision or of the same provision on a future date. Failure of either Party to enforce any term of this Agreement shall not constitute waiver of such term or any other term.
- (h) **SEVERABILITY:** If any provision or term of this Agreement is held to be unenforceable, then this Agreement will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable. If a court declines to amend this Agreement as provided herein, the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the remaining terms and provisions, which shall be enforced as if the offending term or provision had not been included in this Agreement.
- (i) **ENTIRE AGREEMENT:** This Agreement constitutes the entire agreement between the Parties and supersedes any prior or contemporaneous understandings, whether written or oral.
- (j) **HEADINGS:** Headings to this Agreement are for convenience only and shall not be construed to limit or otherwise affect the terms of this Agreement.
- (k) **COUNTERPARTS:** This Agreement may be executed in counterparts, all of which shall constitute a single agreement. If the dates set forth at the end of this document are different, this Agreement is to be considered effective as of the date that both Parties have signed the agreement, which may be the later date.
- (l) **FORCE MAJEURE/EXCUSE:** Neither Party is liable to the other for any failure to perform due to causes beyond its reasonable control including, but not limited to, acts of God, acts of civil authorities, acts of military authorities, riots, embargoes, acts of nature and natural disasters, and other acts which may be due to unforeseen circumstances. Seller is not liable for any delivery delay or non-performance caused by labor or transportation disputes or shortage, material delays, or delays or non-performance caused by any of Seller's suppliers. If Seller is unable to perform for any reason within 30 (thirty) days after the expected date of delivery, Seller may terminate this Agreement in full and provide a complete and total refund to Buyer of any fees paid.
- (m) **NOTICES ELECTRONIC COMMUNICATIONS PERMITTED:** Any notice to be given under this Agreement shall be in writing and shall be sent by first class mail or air mail to the address of the relevant Party set out at the head of this Agreement.



Notices sent as above shall be deemed to have been received 3 working days after the day of posting (in the case of inland first class mail), or 7 working days after the date of posting (in the case of air mail).

In proving the giving of a notice it shall be sufficient to prove that the notice was left, or that the envelope containing the notice was properly addressed and posted, as the case may be.

**EXECUTION:**

Name: Presotea Co. Ltd

Representative Name: \_\_\_\_\_

Representative Title: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Representative Name: \_\_\_\_\_

Representative Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit A to Supply Agreement**

**The Goods**

Item	Product No.	Descriptions of Goods	Unit	Price (USD)	MOQ	Shelf Life	Remark
1	E10-3570	Blueberry Fruit Tea. 50pcs/pkt x 10pkt/carton	CTN			Years	
2	E10-7159	Earl Grey Tea. 100pcs/pkt x 5pkt/carton	CTN			Years	
3	~	~	~				
4	~	~	~				

**Exhibit I**  
**to**  
**Master Franchise Agreement**

**Confidentiality Agreement**  
**(For Master Franchisee's Employees)**

This Confidentiality Agreement is made by and between \_\_\_\_\_, doing business as **Presotea Shop** at the location listed below (hereinafter, "the Employer") and \_\_\_\_\_, (hereinafter, "Employee").

**WHEREAS**, Employer is engaged in the business of offering and selling goods and services in connection with the **Presotea Shop** under the Marks and using the System, pursuant to a franchise agreement between Employer and **PRESOTEA (USA) CO., LTD.** ("Franchisor"); and

**WHEREAS**, Employer has a need for a manager or employee for the **Presotea Shop**; and

**WHEREAS**, Employee is willing to become a manager or employee for the **Presotea Shop**;

**WHEREAS**, Employer is willing to hire Employee or to promote Employee but only upon the agreement by Employee to the terms of this Confidentiality Agreement set forth herein.

**NOW THEREFORE**, for and in consideration of the mutual covenants herein contained and other good and faithful consideration, the receipt and sufficiency of which is hereby acknowledged by each party, the parties hereby agree as follows:

1. Confidential Information.

Employee agrees that all of the information provided to Employee by Employer, by Franchisor, other franchisees, or otherwise obtained by in the course of employment (including pre-employment) relating to the **Presotea Shop** its operation, management, policies, relationship with its Franchisor, identity of its customers, members and vendors, pricing structures and formulas, menu items, recipes, product mix, inventory policies, and similar information, is confidential and is proprietary and constitutes trade secrets of, and is owned by Franchisor ("Confidential Information"). Franchisor is licensing the Confidential Information to Employer under a franchise agreement. Employer is permitted to allow its employees conditional and limited use of the Confidential Information providing such employees sign this Confidentiality Agreement. Employee acknowledges that the Confidential Information is not generally available to the public and that it derives independent economic value from not being widely known and is Proprietary to both Employer and Franchisor. Employee acknowledges and agrees that certain items or information to be made available may not, if analyzed in isolation, be trade secrets; however, unless Employer or Franchisor specifically agrees otherwise in writing, all such items and information, when placed in the context of those things which are Confidential Information if analyzed in isolation, become and are part of Franchisor's proprietary information and trade secrets and are subject to this Confidentiality Agreement. Confidential Information does not include information on public record or readily available from a third party without consent by Employer.

2. Trade marks, trade names and logos.

Employee acknowledges the name, **Presotea Shop** and any all logos, as well as product-specific or menu specific names and all future slogans, trade names, trademarks, and logos, used in connection with the **Presotea Shop location** ("Marks") are priority, and owned by the Franchisor and licensed to Employer.

### 3. Nondisclosure.

Employee shall not at any time or in any manner, either directly or indirectly, divulge, disclose or communicate to any unauthorized person(s) any Confidential Information. All such information shall be held by Employee in complete confidence. Such information is important, material, and confidential and gravely affects the effective and successful conduct of Employer's **Presotea Shop** and goodwill of Employer and Franchisor. Should Employee, at any time, cease to be an employee of Employer, Employee shall immediately return to the Employer the originals and all copies of all documents or other media containing or representing Confidential Information. Breach of any of the terms of this paragraph shall be a material breach of this Confidentiality Agreement. The terms of this paragraph shall survive termination of this Confidentiality Agreement for any reason. Employee shall be in breach of this Agreement during any month in which Employee or any third party has possession or use of any Confidential Information in violation of this Confidentiality Agreement.

### 4. Misappropriation.

Employee at no time during or after his/her employment, will Employee improperly disclose or to any 3<sup>rd</sup> parties, otherwise use or utilize, convey, sell, transfer or reverse engineer any of the Confidential Information, nor use, misuse or copy the Marks, for Employee's own benefit unrelated to his or her employment with Employer, or for the benefit of a third party for their personal gain, including any third party entity which Employee directly or indirectly has control over or an affiliation with whether as an officer, owner, employee, consultant, or otherwise, and whether or not compensated for such use ("Misappropriation"). Employee further acknowledges that should Employee engage in any Misappropriation, both Employer and Franchisor would suffer irreparable harm.

### 5. Third Party Beneficiary/Enforcement By Franchisor.

Both Employer and Employee acknowledge and agree that this Confidentiality Agreement is for the benefit not only of the Employer, but for the third party benefit of Franchisor, **PRESOTEA (USA) CO., LTD.** Employer and Employee each acknowledge agree that **PRESOTEA (USA) CO., LTD.** shall have the right (but not the obligation) to enforce this Confidentiality Agreement, for its own account and employee acknowledges that it may fact an action from Employer separately for Employer's damages.

### 6. Default and Remedies.

Should Employer or Franchisor determine that Employee has violated this Confidentiality Agreement, depending on the provision and severity of the violation, Employee may or may not receive notice of default and demand to cure. If the violation is capable of being fully cured within 10 days, Employee will receive such written notice of default and Demand to cure prior to legal action being initiated. Employee agrees that, in the event of a violation, Employer and/or Franchisor shall be entitled, in addition to all other remedies available at law or in equity, to a temporary restraining order, a preliminary injunction and other interim relief and that the maximum bond to be required of Employer or Franchisor for such relief shall be ten dollars (\$10.00). Employee waives any right to a higher bond. Employee agrees that any action taken by Employer or Franchisor pursuant to this Confidentiality Agreement shall not constitute an election of remedies. In addition to, and not in lieu of, an injunction, Employer and Franchisor shall be entitled to a judgment against Employee for all damages including consequential damages, if the same is able to be calculated. **In addition, if still employed, Employee may be immediately terminated for violating this Confidentiality Agreement.**

7. Effectiveness.

This Confidentiality Agreement shall become effective when signed and shall be enforceable at any time thereafter, and shall remain in effect after Employee's end of employment.

8. Non-waiver

No act or omission or delay in enforcing a right by either party, or Franchisor, shall waive any right under or breach by the other of this Confidentiality Agreement unless such party executes and delivers a written waiver. The waiver by either party of any right under or breach of this Confidentiality Agreement shall not be a waiver of any subsequent or continuing right or breach.

9. Attorneys Fees.

In the event that legal action or arbitration is commenced by either party to enforce this Confidentiality Agreement or to determine the rights of any party, including any appeal proceeding, the substantially prevailing party, in addition to any other remedy, shall be entitled to receive its reasonable attorneys' fees and costs.

10. Choice Of Law/Enforcement.

This Agreement shall be governed by and construed under the laws of the state in which the **Presotea Shop** is located and shall be enforced in the courts in such state.

11. Notices.

All notices required or permitted by this Confidentiality Agreement shall be sent to the respective parties at the addresses set forth herein. The place of notice may be modified by either party. All notices shall be sent by certified mail, return receipt requested, postage prepaid, or personally delivered. Notices shall be deemed given at the earlier of (a) receipt by the addressee or (b) two (2) days following deposit with the United States Postal Service or its successor.

12. Entire Agreement.

This document, together with any exhibits and addenda appended hereto, constitutes the full and complete agreement between the parties hereto with respect to the subject matter hereof. There are no verbal or other agreements that affect or modify this Confidentiality Agreement. Any prior representations, promises, contracts or agreements are hereby fully superseded.

13. Modification.

This Confidentiality Agreement shall not be modified or changed except by a written agreement executed by an officer of Employer. No approval of a deviation from the terms of this Confidentiality Agreement shall be valid unless signed by an officer of Employer.

Signatures on next page.

**EMPLOYER**

\_\_\_\_\_

By \_\_\_\_\_

Address of **Presotea Shop:**

\_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

**EMPLOYEE**

\_\_\_\_\_  
Signature

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT J**  
**to**  
**Master Franchise Agreement**

**Required Kitchen Equipment for Franchisees' Presotea Shops**

All equipment must comply with the specifications published in the Operations Manual. Certain items may change from time to time.

*See attached.*

Product Spec	ccc code	Note	Store size (S) Qty	Store size (L) Qty
CA 3Holes Tea Machine -White w/Rat Guard. ( ETL )	8479.89.99.99-4	Use PSE ( Product Safety of Electrical Appliance & Materials ) Mark	1	2
T122 Food Processor with Shaker Cup 800ml(T-122)	8474.39.00.00.6		2	3
ET-9EF Fructose Quantitative Dispenser - NSF certificate	8423.30.00.00-7		2	2
ET-99SF Sealing Machine 95mm- NSF certificate	8422.30.00.00.8		2	2
YF-8J Powder Dispenser			1	1
Water Boiler		Suggest buy at local	1	1
3 Door Topping Bar with undercounter chiller		Suggest buy at local	1	2
2 Door Topping Bar with undercounter Chiller		Suggest buy at local	1	1
Freezer		Suggest buy at local	1	1
Ice Maker		Suggest buy at local	1	1
Induction Cooker	8516.60.30.00.2	Suggest buy at local	1	1
POS Machine		Suggest buy at local	1	1
Blender		Suggest buy at local	1	2
Stainless Steel Table		Suggest buy at local	1	2
20"Filter - 1Micrin 25tube/ctn	8421.21.90.00-1	Suggest buy at local	1	1
20" Filter Case -Transparent (black lid)	3926.90.90.90.8	Suggest buy at local	1	1
Three- Attached Filter Head	3926.90.90.90-8	Suggest buy at local	1	1
XC2 Filter 6PCS/CTN	8421.21.90.00.1	Suggest buy at local	1	1
10" Filter Case - Blue (black lid)		Suggest buy at local	1	1



Filter for 10" Activated Carbon Set. ( 4sets/ctn)		Suggest buy at local	1	1
10" Carbon Filter 05Micron		Suggest buy at local	1	1
10" Blue Filter Case(Black Lid) with Unit	3926.90.90.90.8	Suggest buy at local	1	1
Transparent Filter Case, 10", Single Tube		Suggest buy at local	1	1
PP Filter, 10", 1Micrin987"PP/NSF 50PCS/CTN		Suggest buy at local	1	1
Activated Carbon for 10" Filter 25PCS/CTN		Suggest buy at local	1	1
1/4 HP Motor		Suggest buy at local	1	1
ST Holder for 1/4 HP Motor		Suggest buy at local	1	1
1/4" Watermeter, OS 13mm.		Suggest buy at local	1	1
Water Softener		Suggest buy at local	1	1
Heating Element 2000W			1	2
Heating Element 3400W			1	2
Water Pressure Gauge Unit			1	1
Ode Group Solenoid Valve Coil 220-230V 50-60Hz			3	3
Stainless Steel Flatead Screw M5*15			5	5
Stainless Steel Flatead Screw(Lengthened)M5*20			5	5
Product Spec	ccc code	Note	Store size (S) Qty	Store size (L) Qty
CA 3Holes Tea Machine -White w/Rat Guard. ( ETL )	8479.89.99.99-4	Use PSE ( Product Safety of Electrical Appliance & Materials ) Mark	1	2
T122 Food Processor with Shaker Cup 800ml(T-122)	8474.39.00.00.6		2	3
ET-9EF Fructose Quantitative Dispenser - NSF certificate	8423.30.00.00-7		2	2
ET-99SF Sealing Machine 95mm- NSF certificate	8422.30.00.00.8		2	2

YF-8J Powder Dispenser			1	1
Water Boiler		Suggest buy at local	1	1
3 Door Topping Bar with undercounter chiller		Suggest buy at local	1	2
2 Door Topping Bar with undercounter Chiller		Suggest buy at local	1	1
Freezer		Suggest buy at local	1	1
Ice Maker		Suggest buy at local	1	1
Induction Cooker	8516.60.30.00.2	Suggest buy at local	1	1
POS Machine		Suggest buy at local	1	1
Blender		Suggest buy at local	1	2
Stainless Steel Table		Suggest buy at local	1	2
20"Filter - 1Micrin 25tube/ctn	8421.21.90.00-1	Suggest buy at local	1	1
20" Filter Case -Transparent (black lid)	3926.90.90.90.8	Suggest buy at local	1	1
Three- Attached Filter Head	3926.90.90.90-8	Suggest buy at local	1	1
XC2 Filter 6PCS/CTN	8421.21.90.00.1	Suggest buy at local	1	1
10" Filter Case - Blue (black lid)		Suggest buy at local	1	1
Filter for 10" Activated Carbon Set. ( 4sets/ctn)		Suggest buy at local	1	1
10" Carbon Filter 05Micron		Suggest buy at local	1	1
10" Blue Filter Case(Black Lid) with Unit	3926.90.90.90.8	Suggest buy at local	1	1
Transparent Filter Case, 10", Single Tube		Suggest buy at local	1	1
PP Filter, 10", 1Micrin987"PP/NSF 50PCS/CTN		Suggest buy at local	1	1
Activated Carbon for 10" Filter 25PCS/CTN		Suggest buy at local	1	1
1/4 HP Motor		Suggest buy at	1	1

		local		
ST Holder for 1/4 HP Motor		Suggest buy at local	1	1
1/4" Watermeter, OS 13mm.		Suggest buy at local	1	1
Water Softener		Suggest buy at local	1	1
Heating Element 2000W			1	2
Heating Element 3400W			1	2
Water Pressure Gauge Unit			1	1
Ode Group Solenoid Valve Coil 220-230V 50-60Hz			3	3
Stainless Steel Flatead Screw M5*15			5	5
Stainless Steel Flatead Screw(Lengthened)M5*20			5	5

Product Spec	ccc code	Note	Store size (S) Qty	Store size (L) Qty
Screw M4*8			5	5
Blender Blade (For T122 Food Processor)			1	1
Outer Waterproof Gasket(MD185)-Black			3	3
Waterproof Gasket-White			3	3
Waterproof Gasket-Blue			3	3
Cup Base -Black			1	1
Control PC-Mainboard for Tea Machine.			1	1
SI-Gasket Element			3	3
SI-O-Ring			3	3
SI-O-Ring d47*3.5t			3	3
Filter Support Rubber			3	3
Silica Gel Washer			3	3
Pump			1	1
Steam Teflon washer			1	1
Copper Connector ( for pump)			1	1
Flowmeter Doser Assembly			1	1
A Stopper			5	5
Adjust Valve			4	4
Stainless Steel Plug			1	1
Filter Base (New)			1	1
Stean Tap Spring			1	1
Clutch			2	2
Circuit Board for T122 110V			1	1
Shaker Machine Motor(185TA) 110V/400W			1	1
Collar 94~90 for Sealing Machine. (Aluminum)			1	1
Heating wire 110V (for sealing machine) 5pcs/set			1	1
Timing Belt 10*130XL			1	1
Toolkit			1	1
Temperature Regulator Switch			2	2
Pressure Jet			1	1
Copper accessory for handle basement.			1	1
H Type Stopper Gasket			1	1
Filter (Hand Group Holder)			1	1
Group Shower Plate			1	1
Filter Holder Assembly (Tea Machinery)			1	1

Fructose Quantitative Dispenser Discharge Spring(0.8/12/30/6)			3	3
Tapioca Pearls Cooker 3L, 110V/60Hz 860W.			1	1

**EXHIBIT K**  
**to**  
**Master Franchise Agreement**

**Required Opening Inventory and Supplies for Franchisees' Presotea Shops**

Specific vendors are in the Operations Manual. Certain items may change from time to time.

*See attached*

Product Spec	ccc code	Note	Store size (S) Qty	Store size (L) Qty
Presotea Uniform (Black / Short)- Overseas S	6204.63.20.00.2		6	12
Presotea Uniform (Black / Short)- Overseas M	6204.63.20.00.2		6	12
Presotea Uniform (Black / Short)- Overseas L	6204.63.20.00.2		6	12
Presotea Uniform (Black / Short)- Overseas XL	6204.63.20.00.2		6	12
Presotea Uniform (Black / Short)- Overseas 2XL	6204.63.20.00.2		6	12
Presotea Uniform (Black / Short)- Overseas 3XL	6204.63.20.00.2		6	12
Presotea Cap(Logo)			15	20
Stainless Steel Cup 500CC	7323.99.00.00.8		30	50
Coffee spoon	3926.90.90.90.8		30	50
Timer	8542.31.00.00.2	Suggest buy at local	1	2
Tea Aroma Canister 80*29mm	7326.90.90.90.6		20	20
Tea can (black/iron made)	7326.90.90.90.6		20	20
#5 Dipper/pcs -Stainless steel	7323.99.00.00.8		2	4
Small Colander (With holes)	7323.99.00.00.8		2	2
Small Stir Bar (ST Long Stir Bar)/pcs	7323.99.00.00.8		2	2
Opener (traditional)		Suggest buy at local	1	1
Small Brush/pcs	9603.40.00.00.5	Suggest buy at local	1	1
Small Bucket/pcs	3926.90.90.90.8	Suggest buy at local	2	2
5KG Small Rice Box	3926.90.90.90.8	Suggest buy at local	1	1
Squeeze Bottle	3926.90.90.90.8	Suggest buy at local	5	5
PC Ice shovel 24oz	3924.10.00.90.6		1	1
PC Ice shovel 64oz	3924.10.00.90.6		1	1
Tea clip (bamboo) 24cm	3924.10.00.90.6	MOQ: 2pcs	2	2
Tea clip (stainless steel) 24cm		Suggest buy at local	2	2
3 grids bamboo plate	3924.10.00.90.6		2	2
Stainless Steel can/pcs 16*16cm(no lid)			4	4
Sugar can with cover. D: 12CM	7323.99.00.00.8		2	2
Sugar can with cover. D: 16CM	7323.99.00.00.8		4	4

Measuring Cup 300cc	7323.99.00.00.8	Suggest buy at local	2	2
Cold Water Bottle 2500cc(M)/pcs	7323.99.00.00.8	Suggest buy at local	2	2
Shaker cup 750cc (Stainless steel)	7323.99.00.00.8	Suggest buy at local	2	2
Extra Large Tea Tray Set	7323.99.00.00.8		2	2
Wire Cooling Rack 445*290mm/pc	7323.99.00.00.8	Suggest buy at local	2	2
Stainless Steel Pot(32CM*23CM)	7323.99.00.00.8		2	2

Product Spec	ccc code	Note	Store size (S) Qty	Store size (L) Qty
304 Stainless steel pot 26cm(19H-10L)	7323.99.00.00.8		1	1
Frying Basket 24CM	7326.90.90.90.6		1	1
Small Straw- 100pcs x 43pkt/ctn	3926.90.90.90.8		10	10
Pearl Straw- 50pcs x 70pkt/ctn	3926.90.90.90.8		30	40
Black Activity- Pearl Straw- 50pcs*70pkt/ctn	3926.90.90.90.8		0	0
Product Sticker- 1400pcs/roll	4823.90.00.39.3		50	200
Tea Lid (Black 90) w/stopper- 100pcs x 10strips/carton	3923.50.00.90.8		2	2
Four Cups Holders-black ( plastic, thick ), 1000pcs/ctn.	3926.90.90.90.8	Suggest buy at local	1	1
Six cups holders - plastic, black(thick). 1000pcs/ctn	3926.90.90.90.8	Suggest buy at local	1	1
Tasting Cup- 50pcs x 40strips/carton	4823.69.00.00.5	Suggest buy at local	2	3
Straw holder - acrylic(black)			2	2
PP Cup (M) Cold (95) Salud- 100pcs x 20strips/carton			50	50
Universal Paper Cup ( cold/hot)- M Size 50pcsx20strips/carton			10	10
Universal Paper Cup 660cc(cold/hot) 50pcsx20strips/carton			10	10
PP Cup (700CC) Cold (95/13) Salud- 50pcs x 20strips/carton			50	80
Presotea 2 Cups Bag- 2kg x 10pkt/bag			1	1



Presotea 4 Cups Bag- 2kg x 10pkt/bag			1	1
Presotea 6 Cups Bag- 2kg x 10pkt/bag			1	1
Sealing Film-(Quotes) 350m*6roll/carton			5	5
PULY CAFF PlusR NSF POWDER- 900g x 12 cans/carton			2	2

**EXHIBIT L**  
**to**  
**Master Franchise Agreement**  
**Lease Conditional Assignment Agreement for Franchisees' Presotea Shop location leases**

This Rider is attached to and is part of that certain Lease, by and between: \_\_\_\_\_  
\_\_\_\_\_ ("Lessor") and \_\_\_\_\_ ("Lessee") dated  
\_\_\_\_\_ for the premises located at: \_\_\_\_\_

A. **CONDITIONAL ASSIGNMENT:** Lessee hereby conditionally assigns certain of the Lessee's possessory right, in this lease to **PRESOTEA (USA) CO., LTD.** (hereinafter, "Franchisor"). This assignment shall become effective at Franchisor's sole option and discretion, upon occurrence of either of the following conditions:

1. Termination or expiration of the **Presotea Shop** Franchise Agreement between Franchisor and Lessee for the operation of Lessee's **Presotea Shop** franchise within the leased premises; **or**

2. Default by Lessee of any material lease term with Lessor without curing such default.

In either case above, Master Franchisee shall have the right but not the obligation, to take over possession of the premises, and if so, to take over the ongoing payments of this lease, and act as the temporary lessee, without assuming legal assumption of the lease, but subject to the ongoing lease obligations, which Lessee and any guarantor, remain the legal obligors.

B. **CONSENT BY LESSOR:** Lessor hereby consents to the said conditional assignment and hereby agrees that if said conditional assignment becomes effective, Franchisor shall have sole right to possession to the exclusion of Lessee, and shall further the right to re-assign this lease with full possession to a new Master Franchisee of Franchisor without the prior consent of Lessor, except for certain basic reasonable qualifications; However, in the event of such re-assignment, Lessee shall not be relieved from liability. Lessor acknowledges Franchisor shall never become legally liable for the lease, except for the time period during its temporary possession.

C. **COOPERATION BY LESSEE:** Lessee agrees that at such time as Franchisor exercises its option to take possession and become the temporary Lessee under this lease, Lessee will immediately vacate the demised premises without removing any fixtures, parts, or accessories except as authorized in the Franchise Agreement and Lessor will permit Franchisor to enter upon and take possession of the demised premises. Lessor will cooperate in all legal action necessary to remove lessee if lessee refuses to vacate premises.

D. **RELIANCE BY LESSOR:** Lessor is hereby authorized and directed to rely solely upon written notice by Franchisor of the termination/expiration of the **Presotea Shop** Franchise Agreement and exercise by Franchisor of its option to become the Lessee under this lease, and Lessor is hereby relieved of any and all liability to Lessee for any action it takes in so relying.

E. **DEFAULT BY LESSEE:** Lessor agrees to give Franchisor a copy of any notice if default Lessor issues to Lessee, as well, as thirty (30) days prior written notice of its intention to reenter and repossess the premises and/or to cancel the lease on account of Lessee's default of any of the terms, conditions or provisions thereof. Franchisor may cure such default or otherwise exercise its rights under this conditional assignment.

F. **OPTION TO RENEW:** In the event that Lessee fails to exercise any option which Lessee might have under the lease to renew same prior to the expiration thereof, Lessor agrees to notify Franchisor in writing of lessee's failure to renew the lease and Franchisor shall then have thirty (30) days from the receipt of such notice to exercise any option to renew and replace Lessee as the lessee under the lease.

Dated: \_\_\_\_\_ [effective date]

Date signed:

\_\_\_\_\_

**PRESOTEA (USA) CO., LTD.**  
(Franchisor/Assignee)

**Franchisee**

By \_\_\_\_\_  
MEI YEN CHEN, President

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

**LESSOR:**

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT M**  
**to**  
**Master Franchise Agreement**

**Assignment of Telephone Numbers**

\_\_\_\_\_ (Master Franchisee/Assignor), in consideration of **PRESOTEA (USA) CO., LTD.** (Franchisor/Assignee) granting a **Presotea Shop** master franchise contemporaneously herewith, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby Assigns to **PRESOTEA (USA) CO., LTD** all telephone numbers and listings utilized or to be utilized by Master Franchisee/Assignor in the operation of his **Presotea Shop** (the "Assignment"). The Assignee hereby assumes the performance of all of the Terms, Covenants, and Conditions of the agreement(s) with the telephone company with respect to such telephones, telephone numbers and telephone listings with the same force and effect as if Assignee had been originally issued such telephone, telephone numbers, telephone listings and the usage thereof. This Assignment is valid on the effective date and is irrevocable. It applies equally to any numbers first used after the effective date. The telephone company is authorized to rely upon this Assignment at any time that it is delivered to the telephone company by Franchisor/Assignee. Assignee and Assignor each agree to hold harmless and indemnify the telephone company from any claims based upon the telephone company's reliance upon this Assignment. Assignee and Assignor each agree to sign any other documents necessary in the opinion of the telephone company to give effect to this Assignment.

Dated: \_\_\_\_\_ [effective date]      Date signed: \_\_\_\_\_

**PRESOTEA (USA) CO., LTD.**  
(Franchisor/Assignee)

**MASTER FRANCHISEE**  
(Assignor)

By \_\_\_\_\_  
MEI YEN CHEN, President

\_\_\_\_\_  
Master Franchisee

**Subject telephone number(s):**  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Master Franchisee  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT N**  
**to**  
**Master Franchise Agreement**  
**Personal Guaranty**  
(the "Guaranty")

IN CONSIDERATION of and to induce the consent by **PRESOTEA (USA) CO., LTD**, a **DELAWARE** corporation ("Franchisor") to the assignment of all right, title, and interest in and to the **Presotea Shop** Master Franchise Agreement dated \_\_\_\_\_ to \_\_\_\_\_, a \_\_\_\_\_ [Type of Entity and State of organization] ("Master Franchisee"), [or alternatively, in consideration of and to induce Franchisor's consent for the undersigned to enter into the Master Franchise Agreement in the Entity form], and for other good and valuable consideration, I/we, and each of us jointly, severally, absolutely and unconditionally guarantee to Franchisor:

**1.01 Payment Of Obligations.**

The punctual payment and satisfaction of each and every claim, demand, default, liability, indebtedness, right or cause of action of every nature whatsoever, including expenses, damages and fees, now or hereafter existing, due or to become due, or held by Franchisor, its subsidiaries, divisions, or related companies, together with any interest as it may accrue, and all costs, expenses and attorneys fees paid or incurred by Franchisor or its subsidiary, division, or related company in collecting or attempting to collect the obligations of the Master Franchisee or in enforcing or attempting to enforce this Guaranty; and

**1.02 Continuing Performance.**

The timely performance of each term, covenant, and obligation of the license set forth in the **Presotea Shop** Master Franchise Agreement described above. This is a continuing Guaranty, which shall apply to the Master Franchise Agreement and any subsequent renewals, extensions, amendments or modifications thereof, and such renewals, extensions, amendments or modifications shall be conclusively presumed to be covered by this Guaranty without further notice to or acceptance by the undersigned.

**2.01 Execution And Delivery.**

The undersigned acknowledge(s) and agree(s) that possession of this Guaranty by Franchisor constitutes true and correct execution and actual and proper delivery of same to Franchisor, and the undersigned waive notice of acceptance of this Guaranty and of the incurrence by Master Franchisee of any liability to which it applies or may apply, and waive presentment and demand for payment thereof, protest, notice of protest and notice of dishonor or non-payment thereof, collection thereof including any notice of default in payment thereof or other notice to, or demand of payment therefore on, any party. The undersigned further waive any right to have security applied before enforcing this Guaranty, any right to require suit against the Master Franchisee or any other party before enforcing this Guaranty, and any right to subrogation to Franchisor's rights against the Master Franchisee until the Master Franchisee's liabilities and obligations to Franchisor are paid and satisfied in full. Payment by the undersigned shall be made at the office of Franchisor, or such other location as Franchisor may designate in writing.

**3.01 Rights Of Company**

Franchisor may, at its option, at any time, without the consent of or notice to the undersigned, without incurring responsibility to the undersigned and without impairing or releasing the obligations of the undersigned, upon or without any terms or conditions and in whole or in part:

3.01.01 change the manner, place or terms of payment or change or extend the time of payment of, renew, or alter any obligation, liability or right of the Master Franchisee under the Master Franchise Agreement hereby guaranteed, or any liabilities incurred directly or indirectly hereunder, and the guaranty herein made shall apply to the obligations and liabilities of the Master Franchisee, so changed, extended, renewed or altered;

3.01.02 exercise or refrain from exercising any rights against Master Franchisee or others, or otherwise act or refrain from acting;

3.01.03 settle or compromise any liabilities hereby guaranteed or hereby incurred, and may subordinate the payment of all or any part of such liabilities to the payment of any liabilities which may be due to Franchisor or others; and

3.01.04 apply any sums paid to any liability or liabilities of Master Franchisee to Franchisor regardless of what liability or liabilities of Master Franchisee remain unpaid. Franchisor may, at its option, without the consent of or notice to the undersigned, apply to the payment of the liability created by this guaranty, at any time after such liability becomes payable, any moneys, property, or other assets belonging to the undersigned in the possession, care, custody and control of Franchisor.

#### 4.01 Irrevocable.

This Guaranty shall not affect in any manner the right of Franchisor to terminate the Master Franchise Agreement pursuant to the terms thereof, and this Guaranty shall survive the termination, expiration, or cancellation of the Master Franchise Agreement. Franchisor may at its option, elect to take no action pursuant to this Guaranty or the Master Franchise Agreement without waiving any rights under either. The undersigned do further agree that it will not be necessary for Franchisor, in order to enforce the terms of this agreement against them, to first institute suit or exhaust its remedies against the Master Franchisee or any others. This Guaranty shall operate as a continuing Guaranty and shall be non revocable, except with the express written consent of Franchisor.

#### 4.02 Joint And Several Liability.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

#### 4.03 Successors And Assigns.

This Guaranty shall bind and inure to the benefit of the heirs, executors, administrators, successors, and Assigns of Franchisor and of the undersigned.

#### 4.04 Non-competition.

The undersigned hereby agree that they shall be individually bound by the provisions of the Master Franchise Agreement relating to trade secrets, confidentiality, and non-competition.

#### 4.05 Bankruptcy Or Insolvency Of Master Franchisee.

In the event that a petition in bankruptcy or for an arrangement or reorganization of the Master Franchisee under any state or federal bankruptcy law or for the appointment of a receiver for the Master Franchisee or any of its property is filed by or against the Master Franchisee, or if the Master Franchisee shall make an Assignment for the benefit of creditors or shall become insolvent, all indebtedness and other obligations of the Master Franchisee shall, for purposes of this Guaranty be immediately due and payable.

WITNESS our hands at \_\_\_\_\_, on this the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_ % owner of Master Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_ % owner of Master Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_ % owner of Master Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_ % owner of Master Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_ % owner of Master Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_ % owner of Master Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_ % owner of Master Franchisee

\_\_\_\_\_  
[SIGNATURE]  
\_\_\_\_\_ % owner of Master Franchisee

**EXHIBIT O**  
**to**  
**Master Franchise Agreement**

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO**  
**PRESOTEA (USA) CO., LTD. INCLUDING CHECKS AND ELECTRONIC TRANSFERS**

Depositor hereby authorizes and requests \_\_\_\_\_ (the "Bank") to initiate debit and credit entries to Depositor's account indicated below drawn by and payable to the order of **PRESOTEA (USA) CO., LTD.** (the "Company") in checks drawn on such account payable to the Company or by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Bank's rights with respect to each such charge shall be the same as if it were a check drawn by the Bank and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Bank shall be under no liability whatsoever.

Bank Name: \_\_\_\_\_

Bank Address: \_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

This authority is to remain in full force and effect until the Company has received written notification from the depositor of its termination in such time and in such manner to afford the Company and Bank a responsible opportunity to act on such request.

Store Address: \_\_\_\_\_

Name of Depositor: \_\_\_\_\_ (Please print Master Franchisee name)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Depositor

\_\_\_\_\_  
Signature of Depositor (in case more than 1 depositor)

**PLEASE ATTACH ONE VOIDED BLANK CHECK FOR PURPOSES OF SETTING UP BANK AND TRANSIT NUMBERS.**



# FRANCHISE DISCLOSURE DOCUMENT

## Attachment C

### List of Current and Former Master Franchisees

(UNITED STATES)

#### MASTER FRANCHISEES (as of December 31, 2022)

##### **ARIZONA MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave, Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

##### **CALIFORNIA MASTER FRANCHISEE:**

KAT & ELL CORP  
9211 Bolsa Ave., Ste. 105,  
Westminster, CA 92683  
PH 877-773-7639

##### **COLORADO MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

##### **FLORIDA MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

##### **IDAHO MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

##### **ILLINOIS MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

##### **IOWA MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

**KANSAS MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

**MARYLAND MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

**MICHIGAN MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

**NEBRASKA MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

**NEW JERSEY MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

**NEW YORK MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

**NORTH CAROLINA MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

**OHIO MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

**OKLAHOMA MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,

Huntington Beach CA 92647  
PH 877-733-7639

**OREGON MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

**TENNESSEE MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

**TEXAS MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

**UTAH MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach, CA 92647  
PH 877-773-7639

**VIRGINIA MASTER FRANCHISEE:**

Kee & Associates International LLC  
7171 Warner Ave., Suite B145,  
Huntington Beach CA 92647  
PH 877-733-7639

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**PRESOTEA UNIT LOCATIONS**

(as of December 31, 2022)

**California:**

9211 Bolsa Ave., Suite 105, Westminster CA 92683  
4343 Mission Blvd., Suite 104, San Diego, CA 92109  
41 Auto Center Dr., Suite 109A, Foothill Ranch, CA 92610  
201 W. Center St. Promenade, Anaheim, CA 92805  
2222 Michelson Drive, Suite 202, Irvine, CA 92612  
19171 Magnolia Street, Unit 3, Huntington Beach, CA 92646  
21213 Hawthorne Blvd., Torrance, CA 90503  
4875 W Mission Blvd., Unit F, Montclair, CA 91763  
1345 Allen Rd, Bakersfield, CA 93314  
1100 Manhattan Ave., Suite 102, Los Angeles, CA 90266  
9636 Garden Grove Blvd., #2, Garden Grove, CA 92844  
17090 Bernardo Center Dr., San Diego, CA 92128

14291 Euclid St., D106-D107, Garden Grove, CA 92843  
3720 Gosford Rd., Suite A, Bakersfield, CA 93309  
6616 Laguna Blvd., Suite 120, Elk Grove, CA 95758

**Colorado**

18662 E Hampden Avenue, Aurora, CO 80013

**Florida**

3268 Forum Blvd., #205, Fort Myers, FL 33905

**Kansas:**

2540 Iowa St., Suite C, Lawrence, KS 66046

**Michigan**

4096 Haggerty Hwy, Commerce Township, MI 48390

3039 E Walton Blvd. Auburn Hills, MI 48326

25429 Van Dyke Ave., Center Line, MI 48015

**Nebraska:**

3714 Cimarron Ave., Ste. 210, Hasting, NE 68901

**Texas:**

633 E 42nd St Odessa, TX 79762

4416 Briar Wood Ave., Suite 112, Midland, TX 79707

4975 S. Hulen St., Fort Worth, TX 76132

980 US Hwy 287, N. Frontage Road, Unit 200, Mansfield, TX 76063

**Utah:**

7710 Union Park Ave, Midvale, Utah 84047

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**FORMER MASTER FRANCHISEES**

**Master Franchisees who have closed, terminated, canceled or not renewed during the past fiscal year:**

NONE

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**Master Franchisees who have not communicated with Franchisor within 10 weeks of the issuance date of this disclosure:**

NONE

**FRANCHISE DISCLOSURE DOCUMENT**  
**Attachment D**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

# Master Franchise Operations Manual

## INDEX

No	Department	Item	Page Number
B1	Master Franchisee's	B1.1 Store Audit Form	1
	Obligations for Store	B1.2 Store Audit Evaluation System	2
	Operations	B1.3 Store Renewal Appraisal Form	3
B2	Master Franchisee's	B2.1 Site Measurement	6
	Obligations for Engineering	B2.2 Decoration Material Sheet	10
	Department	B2.3 Equipment & Machine Specification	12
		B2.4 Water Filter System	16
		B2.5 New Store Opening Process	17
		B2.6 Store Renovation For Renewal Outlet Procedure	18
B3	Master Franchisee's	B3.1 Equipment Checklist	19
	Obligations for Maintenance	B3.2 Tea Machine	23
	Department		36
		B3.3 Shaker Machine	67
		B3.4 Sugar Dispenser	71
			81
			89
		B3.5 Sealing Machine Maintenance	97
		B3.6 Water Softener and Filter System Maintenance	114
		B3.7 Ice Maker Maintenance	125
		B3.8 Hot Water Boiler Maintenance	134
B4	Master Franchisee's	B4.1 Site Selection	142
	Obligations for Store	B4.2 Single Unit Franchise Process	149
	Development	B4.3 Outlet Assessment Form	151
B5	Master Franchisee's		
	Obligations for Supply Chain	B5.1 Supply and Ordering Policy	156
	Management		
B6	Beverage Recipe		164

# FRANCHISE DISCLOSURE DOCUMENT

## Attachment E

### STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

#### CALIFORNIA

Department of Financial  
Protection and Innovation  
Suite 750  
320 West 4th Street  
Los Angeles, CA  
1-866-275-2677

Agent: California Commissioner of  
Business Oversight

#### MARYLAND

Office of the Attorney  
General Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

Agent: Maryland Securities  
Commissioner 200 St. Paul Place  
Baltimore, Maryland 21202-2020

#### HAWAII

Securities Examiner  
1010 Richards  
Street  
Honolulu, Hawaii 96813

Agent: Director of Hawaii  
Department of Commerce and  
Consumer Affairs

#### MICHIGAN

Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Department of  
Attorney General  
670 Law Building  
Lansing, Michigan 48913

Agent: Michigan Department of  
Commerce Corporations and Securities  
Bureau

#### ILLINOIS

Franchise Division  
Office of Attorney  
General 500 South  
Second Street  
Springfield, Illinois 62706

Agent: Illinois Attorney  
General

#### MINNESOTA

Minnesota Department of  
Commerce 85 7<sup>th</sup> Place East,  
Suite 500  
St. Paul, Minnesota 55101-

Agent: Minnesota Commissioner of  
Commerce

INDIANA

Franchise Section  
Indiana Securities  
Division Room E-111  
302 West Wisconsin Street  
Indianapolis,  
Indiana 46204

Agent: Indiana Secretary of State  
Indiana Securities Division 201  
State House  
Indianapolis, IN 46204

NEW YORK

Bureau of Investor Protection and  
Securities  
New York State Department of Law  
23rd Floor 28  
Liberty St, 21<sup>st</sup> FL  
New York, New York 10005  
212-416-8285

Agent:

New York Secretary of State  
99 Wisconsin Ave  
Albany, NY 12231

NORTH DAKOTA

Office of Securities  
Commissioner Fifth Floor  
600 East Boulevard  
Bismarck, North Dakota 58505

Agent: North Dakota Securities  
Commissioner

OREGON

Department of Insurance and  
Finance Corporate Securities  
Section  
Labor and Industries Building  
Salem, Oregon 97310

NEBRASKA

Nebraska Department  
of Banking and Finance  
1200 N Street  
P.O. Box 95006  
Lincoln, Nebraska 68509-5006

SOUTH DAKOTA

Division of  
Securities c/o 118  
West Capitol  
Pierre, South Dakota  
57501 (605) 773---4013

Agent: Director of South Dakota  
Division Securities

TEXAS

Secretary of State  
P.O. Box 12887 Austin,  
Texas 78711

WISCONSIN

Securities and Franchise Registration  
Wisconsin Securities Commission  
P.O. Box 1768

Agent: Wisconsin Commissioner of  
Securities

VIRGINIA

Agent: Director of Oregon Department of  
Insurance and Finance  
State Corporation Commission  
1300 East Main Street  
Richmond, Virginia 23219

Agent: Clerk of the State  
Corporation Commission



RHODE ISLAND

Division of  
Securities Suite 232  
233 Richmond Street  
Providence, Rhode Island  
02903

Agent: Director of Rhode Island  
Department of Business Regulation

WASHINGTON

Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507

Agent: Securities Administrator, Director  
of Department of Financial Institutions  
150 Israel Road SW  
Tumwater, WA 98501

# FRANCHISE DISCLOSURE DOCUMENT

## Attachment F

### State Specific Addenda

#### California

Neither the franchisor nor any person identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

California Business and Professions Code §§ 20000 through 20043 provide rights to the Master Franchisee concerning termination, transfer or non-renewal of a franchise. If the Master Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Master Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)

The Master Franchise Agreement contains a covenant not to compete that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a Master Franchise Agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Section 31125 of the California Corporations Code requires the franchisor to give the Master Franchisee a special disclosure document before soliciting a proposed material modification of an existing franchise.

The Master Franchise Agreement contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Master Franchise Agreement requires binding arbitration. The arbitration will occur at Orange County, and the arbitrators have the discretion to assess the costs of arbitration, including reasonable arbitrators' and attorneys' fees in proportions as the arbitrators may determine. Prospective Master Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Master Franchise Agreement restricting venue to a forum outside the State of California.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

OUR WEBSITE AND WEBSITE ADDRESS **www.presotea.com** HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **Illinois**

Many states have statutes concerning the relationship between franchisor and Master Franchisee. These statutes deal with such matters as renewal and termination of franchises. Provisions of this sort will prevail over inconsistent terms in a Master Franchise Agreement. Illinois has such a statute (915 ILCS 705/19 and 705/20).

The Master Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Master Franchise Agreement includes a choice of law clause designating another state's law as the governing law. Under Illinois law, a Master Franchise Agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item 17 w. is amended to state "none" under the heading for "Summary." The Franchise Agreement is amended to omit the California choice of law section.

The Master Franchise Agreement requires Master Franchisee to sign a release of claims as a condition for transfer or renewal of the franchise. Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void. Accordingly, insofar as the Master Franchise Agreement requires Master Franchisee to waive Master Franchisee's rights under the Illinois franchise law, these requirements are deleted from the Master Franchise Agreement. This provision will not

prevent the franchisor from requiring Master Franchisee to sign a release of claims as part of a negotiated settlement of a dispute.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Maryland**

The Master Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Master Franchise Agreement says that franchisor may require Master Franchisee to sign a release of claims, other than claims that may not be waived in advance under applicable law, as a condition of renewal or transfer of your franchise. Under Maryland law, the release will not apply to any liability under the Maryland Franchise Registration and Disclosure law.

Under the Master Franchise Agreement, Master Franchisee must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland franchise law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the franchise is granted.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Michigan**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

(a) A prohibition on the right of a Master Franchisee to join an association of franchises.

(b) A requirement that a Master Franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a Master Franchisee of rights and protections provided in this act. This shall not preclude a Master Franchisee, after entering into a Master Franchise Agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the Master Franchisee to comply with any lawful provision of the Master Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the Master Franchisee by repurchase or other means for the fair market value at the time of expiration of the Master Franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to

reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the Master Franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the Master Franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other Master Franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the Master Franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- Failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- The failure of the Master Franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the Master Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires the Master Franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the Master Franchisee has breached the lawful provisions of the Master Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the Master Franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

A FRANCHISE SHALL NOT BE SOLD IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE MASTER FRANCHISEE, AT LEAST TEN (10) BUSINESS DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE MASTER FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT OR AT LEAST TEN (10) BUSINESS DAYS BEFORE THE RECEIPT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE STATEMENT DESCRIBED IN THIS STATUTE.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, Master Franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to: Consumer Protection Division  
Attn: Marilyn McEwen 670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Minnesota**

The Master Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party party. Under

Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

The Master Franchise Agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C. 14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Master Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Master Franchise Agreement.

The Master Franchise Agreement requires you to sign a release of claims as a condition of renewing or transferring a franchise. Minnesota Rule Part 2860.4400J prohibits franchisor from requiring Master Franchisee to sign a release of claims arising under the Minnesota Franchise Law. Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law.

The Master Franchise Agreement provides that franchisor is entitled to a temporary injunction or decree of specific performance. The Master Franchise Agreement is amended to provide that we are entitled to seek a temporary injunction or decree of specific performance if we can demonstrate to a court of competent jurisdiction that there is substantial likelihood of Master Franchisee's breach or threatened breach of any of the terms of the Master Franchise Agreement, not that franchisor is necessarily entitled to obtain this relief.

Under Minnesota law, any claim arising under §80C may be brought within three years after the cause of action accrues. The Master Franchise Agreement is amended to provide for a three-year period within which to bring any Minnesota claims.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **New York**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES

NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective Rev. March 17, 2021 2 injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of



New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **North Dakota**

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

Item 17c is revised to omit any requirement that a general release be signed as a condition of renewal.

Item 17r is amended to add the following: “To the extent that covenants not to compete apply to periods after the term of the franchise, they are generally considered unenforceable in the State of North Dakota.”

Item 17u is amended to omit any reference to the location or mediation or arbitration.

Item 17w is amended to state “None.”

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise

seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Rhode Island**

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island Master Franchisees:

In spite of the provisions of Item 17v and Item 17w of the Disclosure Document, any litigation or arbitration arising under the Master Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the Master Franchisee and franchisor.

To the extent required by §19-28.1-14 of the Rhode Island Franchise Investment Act, the Master Franchise Agreement will be governed by the laws of the State of Rhode Island.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **South Dakota**

The Master Franchise Agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the Master Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. The Master Franchise Agreement provides for arbitration in a state other than South Dakota. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with §11 of the Commercial Arbitration Rules of the American Arbitration Association.

The Master Franchise Agreement designates the law of a state other than South Dakota as the governing law, except that trademark issues are to be under the Landham Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, but contractual and all other matters will be subject to application, construction, enforcement and interpretation under the governing law specified by the Master Franchise Agreement.

Under South Dakota law, any provision in a Master Franchise Agreement which designates jurisdiction or venue or requires the Master Franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the Master Franchise Agreement, failure to meet performance and quality standards, and failure to make royalty payments contained in the Disclosure Document and Master Franchise Agreement must afford a Master Franchisee thirty (30) days written notice with an opportunity to cur the default prior to termination. Under SDL any

condition, stipulation or provision purporting to waive compliance with any provision of this chapter, or any rule or order is void.

An acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a Master Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

### **Virginia**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Crimson Coward, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause” as that term may be defined in the Virginia Retail Franchising Act, or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Washington**

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND RELATED AGREEMENTS

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial fees until the Master Franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the Master Franchise agreement or offering circular, and (b) is open for business.

**Use of Franchise Brokers.** The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

The Master Franchise Agreement is governed by Washington laws. However, in the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

The Master Franchise Agreement requires Master Franchisee to sign a release of claims as a condition of renewing or transferring the franchise. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

In Washington, provisions of the Master Franchise Agreement, which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

According to Washington laws, transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor's earnings from the party seeking enforcement, when annualized exceed \$125,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii)

soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington. The undersigned does hereby acknowledge receipt of this addendum.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**PRESOTEA (USA) CO., LTD**

**MASTER FRANCHISEE**

By: \_\_\_\_\_  
Mei Yen Chen, President

\_\_\_\_\_ by:

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# FRANCHISE DISCLOSURE DOCUMENT

## Attachment G General Release

This General Release ("Release") is made and entered into on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between **PRESOTEA (USA) CO., LTD** ("Franchisor") and \_\_\_\_\_ ("Master Franchisee") with regard to the following Recitals.

### RECITALS

**WHEREAS**, Franchisor and Master Franchisee are parties to an **Presotea** Franchise Agreement (the "Franchise Agreement") dated \_\_\_\_\_, 20\_\_\_\_, granting Master Franchisee the right to operate an **Presotea Shop** business under Franchisor's proprietary marks and system at the following location: \_\_\_\_\_:

**WHEREAS**, Master Franchisee is requesting Franchisor's consent to a transfer, or requesting a renewal term or requesting Franchisor's consent to \_\_\_\_\_; and Franchisor is willing to grant such consent in consideration for Master Franchisee signing this Release.

**NOW THEREFORE**, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Master Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasers"), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasees"), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasers.

The Releasers, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release.

This release does not apply to claims arising under the Wisconsin Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder in accordance with RCW 19.100.220.

Master Franchisee hereby waives the provisions of California Civil Code section 1542, which provides:

*A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.*

And any other similar provision in any other jurisdiction.

**IN WITNESS WHEREOF**, the parties hereto have executed this Release as of the date first above written.

**PRESOTEA (USA) CO., LTD**

**MASTER FRANCHISEE**

By: \_\_\_\_\_  
Mei Yen Chen, President

\_\_\_\_\_

**FRANCHISE DISCLOSURE DOCUMENT**

**Attachment H**

**Receipts**



## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	June 14, 2023
Florida	September 12, 2023
Illinois	April 27, 2023
Indiana	December 19, 2022
Maryland	August 1, 2023
Michigan	October 26, 2022 (renewal pending)
Minnesota	July 21, 2023
New York	August 7, 2023
North Carolina	December 5, 2022
Virginia	March 3, 2023
Washington	October 9, 2023
Wisconsin	October 31, 2022 (renewal pending)

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**Item 23**  
**RECEIPT**

This disclosure document summarizes certain provisions of the Master Franchise Agreement and other information in plain language. Read this disclosure document and all Exhibits carefully.

If PRESOTEA (USA) CO., LTD. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If PRESOTEA (USA) CO., LTD. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state agencies listed in Exhibit E. PRESOTEA (USA) CO., LTD. authorizes the respective Agents identified on Exhibit E to receive service of process for us in the particular state.

The Franchisor is:  
PRESOTEA (USA) CO., LTD., 1209 Orange Street, Wilmington, Delaware 19801.

The franchise seller(s) involved in offering and selling the franchise to you is:

Mr. MIN, YAO-TSUNG (Presotea Taiwan) No. 3, Fuxing St., Tucheng District, New Taipei City 236, Taiwan Telephone: +886222691548 Email to: [jackmin@presotea.com](mailto:jackmin@presotea.com)

I have received a Franchise Disclosure Document, Issued February 15, 2023. This disclosure document includes the following Attachments:

- |              |  |
|--------------|--|
| ATTACHMENT A | Financial Statements                                   |
| ATTACHMENT B | Master Franchise Agreement with Exhibits               |
| ATTACHMENT C | List of Current and Former Master Franchisees          |
| ATTACHMENT D | Table of Contents for Manual                           |
| ATTACHMENT E | State Administrators and Agents for Service of Process |
| ATTACHMENT F | State Specific Addenda                                 |
| ATTACHMENT G | General Release  |
| ATTACHMENT H | Receipts   |

Date Received: \_\_\_\_\_ Master Franchisee: \_\_\_\_\_

Date Received: \_\_\_\_\_ Master Franchisee: \_\_\_\_\_

KEEP THIS COPY FOR YOUR RECORDS

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Date Received: \_\_\_\_\_ Master Franchisee: \_\_\_\_\_

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